OUTER CONTINENTAL SHELF REVENUE SHARING PROPOSALS

HEARINGS

BEFORE THE

NATIONAL OCEAN POLICY STUDY

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 2792

TO ESTABLISH AN OCEAN AND COASTAL DEVELOPMENT IMPACT ASSISTANCE FUND AND TO REQUIRE THE SECRETARY OF COMMERCE TO PROVIDE TO STATES NATIONAL OCEAN AND COASTAL DEVELOPMENT AND ASSISTANCE BLOCK GRANTS FROM MONEYS IN THE FUND, AND FOR OTHER PURPOSES

S. 2794

TO INSURE THE INTELLIGENT AND FULL UTILIZATION OF MARINE RESOURCES

AUGUST 12 AND SEPTEMBER 1, 1982

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OUTER CONTINENTAL SHELF REVENUE SHARING PROPOSALS

THURSDAY, AUGUST 12, 1982

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
NATIONAL OCEAN POLICY STUDY,
Washington, D.C.

The committee met, pursuant to notice, at 9:50 a.m., in room 235, Russell Building, Hon Ted Stevens presiding.

Staff members assigned to these hearings: Dennis W. Barnes and William J. McClusky, Jr., professional staff members; and Deborah J. Stirling, minority staff counsel.

OPENING STATEMENT BY SENATOR STEVENS

Senator STEVENS. My apologies to all concerned for being late. It could not be avoided.

Gentlemen, do you have an opening statement? I have an opening statement for the record.

Outer Continental Shelf [OCS] revene sharing is an idea whose time has arrived. Recently the Secretary of the Interior, James Watt, announced his 5-year plan to lease over 1 billion acres of the OCS nationwide. Over 40 lease sales will be conducted over the next 5 years affecting coastal areas throughout the lower 48 and Alaska. These leases are expected to generate between $10 and $20 billion annually for the Federal Treasury. However, it is my fear that this revenue, and more importantly, the needed domestic production which it represents will be severely delayed if our coastal States are convinced they are not part of the leasing process and will be faced by substantial onshore costs a a result of this program. States must be guaranteed financial participation at least to the extent necessary to evaluate the risks each faces—this means costly research and planning, and the development of facilities to handle population growth, and generally provide for mitigation of onshore impacts arising from development.

Over the years a number of us in Congress have offered legislation that would install the States as true partners in OCS development. In fact, in 1973 I introduced such legislation. In other resource areas this concept has successfully been employed through the Mineral Leasing Act, the National Forest Revenue Act, and the Taylor Grazing Act, all of which are direct examples of specific revenue sharing. Additionally the Federal Government funds States for land acquisition and maintenance of parks under the land and

water conservation fund. Through the payment in lieu of taxes program States are partially reimbursed for loss of tax base due to nontaxable Federal lands within a State. It is clear the Federal Government has a long history of sharing revenue with the States when its activities directly affect specific State. It is equally clear that OCS development will impose dramatic socioeconomic impacts on coastal communities. Nor is there any doubt that OCS development presents potential environmental risks to other ocean and coastal resources. The States must have the wherewithal to effectively evaluate and cope with these potential problems.

Federal suport will assist in needed facilities development, impact mitigation, and required scientific research to accomplish this objective. It will provide incentive for a more cooperative State/Federal relationship that can transform a program currently offering only disadvantage to States into one of balanced development and benefit. This is the approach that must be adopted to reduce friction among the States and the Federal Government and launch a unified OCS leasing program.

The bill which I and my colleagues have introduced contains the components which I believe are necessary to address the issue before us. Our bill provides: First, an assured source of State funding; second, allocation of funds based upon contribution to production and recognition of other elements that determine coastal impact; third, funds to be used to deal exclusively with OCS and coastal development and planning problems; fourth, great flexibility for States and local governments to distribute funds for projects they feel the need for; fifth, passthrough of funds to local governments, and sixth, recognition of the national nature of the OCS by distributing minumum funding to all coastal States and territories.

All of these elements are key to a bill that will make a difference in the implementation of this administration's OCS development plan. For an investment of less than 5 percent of the total OCS fund we can assure that States become active partners in the development of these vital resources. By insuring State and local discretion in the use of these funds, we can institutionalize coastal development and planning decisions at the appropriate level. In sharing this small fraction of the OCS fund, we can truly practice New Federalism. This is a small investment to make in a partnership with such great potential yield to the Nation. Alaska alone holds upward of 40 percent of OCS production potential and over 55 percent of the acreage to be offered in the 5-year plan. Opposition from the States to specific provisions in the plan is rooted in the paucity of scientific knowledge, the lack of coastal infrastructure, and insufficient planning that this bill is designed to remedy.

This hearing is the first step which I hope will convince the Senate, the Congress as a whole, and the executive branch that revenue sharing is the only way to develop the partnership required to assure exploration, development and production of this vital resource area. Without this partnership, we will continue to experience the frustration and delays associated with litigation based upon fear—a fear which can be eliminated by a properly funded State program designed to develop the facts necessary to formulate a program in which the States are truly partners.

I do think that it is important to know that this is not the first time we have examined the concept of revenue sharing, and I think this proposal is a very modest proposal. Do you have any opening statement, either of you?

OPENING STATEMENT BY SENATOR GORTON

Senator GORTON. I do, but I would be delighted to put it in the record.

Senator STEVENS. No, I have kept you waiting. Go ahead and make your statement.

Senator GORTON. Mr. Chairman, I am pleased today to be present at this hearing to consider bills containing different approaches to revenue sharing with the States to receive a percentage of the receipts from Outer Continental Shelf oil and gas leasing activities. Each of these approaches contemplates the establishment of a fund, the contents of which would be allocated among coastal States and territories for Outer Continental Shelf and coastal development activities. Although the concept of revenue sharing is by no means new, the logic of applying the concept in the situation of Outer Continental Shelf oil and gas revenues is increasingly apparent. As we consider this legislation, coastal States are facing the prospect of locating funding for many important programs from other than Federal sources. At the same time, the Department of Interior is proceeding on a significantly accelerated 5-year oil and gas leasing program. The pressures on coastal communities, and the need for locating a source of funding that would not place additional burdens on either the Federal budget, or on individual taxpayers, has never been greater.

I am pleased to be a part of this bipartisan effort to insure continued funding for important ocean and coastal development activities and to achieve equity for coastal States with inland States in terms of long-term, equitable compensation for the effects of federally generated resource exploration and development. The State of Washington, the first State with an approved coastal zone management program, has deep and longstanding interest in the programs which would be affected by this legislation, and will be submitting testimony for the record of this hearing.

OPENING STATEMENT BY SENATOR MITCHELL

Senator MITCHELL. I have an opening statement as well, Mr. Chairman, for the record.

Mr. Chairman, I wish to begin by thanking you and Senator Hollings for seeing fit to schedule this hearing. As a cosponsor of S. 2792, one of the two bills on which we will hear testimony this morning, I am pleased that the subject of OCS revenue distribution has reached the hearing stage, and now stands at least a chance of being considered by the full Senate before the conclusion of this Congress.

I am here this morning for several reasons. First, I believe that vital coastal planning and management activities, maritime education and research activities, and fisheries programs must be continued, and, if possible expanded.

Second, I believe that the Congress has an obligation to those who are engaged in these important pursuits to provide a reliable funding source for their worthwhile efforts.

Third, I believe that it makes perfect sense to devote a relatively small percentage of new Outer Continental Shelf [OCS] revenues to these activities.

Last, I maintain that these programs will be enhanced by permitting states to play a greater role in determining which of these activities should be emphasized and deemphasized in their particular coastal areas.

I look forward to receiving the comments of those who are scheduled to testify today. With the benefit of their views and their experience, this panel should be able to formulate a final proposal which will insure that the worthwhile coastal activities which have been conducted to date are carried on in a responsible manner.

Thank you Mr. Chairman.

Senator STEVENS. Senator Markowski, do you have a statement?

OPENING STATEMENT BY SENATOR MURKOWSKI

Senator MURKOWSKI. Mr. Chairman, 2 weeks ago today I sponsored legislation with 14 of my colleagues on the bill we have before us now, a bill to establish an ocean and coastal development impact assistance fund.

The concept of OCS oil and gas revenue sharing with States is not new. It has been discussed for a number of years in Congress. What is new is the need and importance of this proposal to coastal States. The dynamics of ever-changing oil supply and price factors and the subsequent need for energy independence has led us to accelerate the development of our OCS. Simultaneouly, coastal and ocean related issues that have been recognized and funded over the years by Congress are now subject to cutbacks as a result of our budgetary problems and the general state of the economy. As we increase our utilization of the OCS in both the development of renewable and nonrenewable resources, it becomes imperative that funding for these programs continue. Furthermore, with increased development of the OCS, we can expect additional impact on the OCS and adjacent coasts, thus the importance of the presence of existing programs to mitigate undesirable impact and promote continued growth in productive areas.

The approach taken in this bill is similar to an investment whereby a small portion of current revenues are invested in areas needed to solve existing problems and prepare for the future. It would help to insure timely and responsible development of all OCS resources and would result in a productive and cooperative State/Federal relationship.

According to the Department of the Interior, some 34 percent of the undiscovered oil and 28 percent of the gas in the United States lies beneath the OCS. For the 5-year period beginning last month, close to 1 billion acres divided into 41 lease sales will be offered from the OCS. Although amibitious, the 5-year lease program is responsible to our need to approach energy supply stability and security.

The bill we are discussing today will be instrumental in assisting n OCS development by preparing for impact, not reacting to it. It an help remove obstacles to development and assure that challenges to balanced and reasonable growth are met. The end effect of this "investment" can only be a more productive OCS.

Two other areas that deserve brief mention are the concepts of federalism and equity. Obviously the bill embodies several aspects of federalism, or rather a State/Federal partnership. It combines Federal policy and fiscal support with State and local management and programmatic control. Responsiveness and responsibility will be heightened at the State and local level in conjunction with the determination of State priorities at a State's discretion, yet all within broad guidelines as outlined under Federal policy. It insures that all States will have sufficient resources to accomplish national goals with respect to coastal development.

The issue of equity is also addressed in that the bill provides for revenue sharing similar to other Federal revenue sharing programs, such as the Mineral Leasing Act of 1920. The Mineral Leasing Act shares approximately one-half of all Federal revenues derived from resource development on Federal lands with States. These funds are used to mitigate impacts from development within a State's borders. Although the percentage amounts shared under this bill are much less than the Mineral Leasing Act, the intent is the same since OCS development does have a direct coastal and onshore impact on nearby States.

I am pleased to be here today and to be a cosponsor of this bill. I am also impressed with the interest expressed to date and look forward to working with all concerned parties to produce a balanced, well thought out bill this legislative session.

[The bills follow:]

II

97TH CONGRESS
2D SESSION

S. 2792

To establish an Ocean and Coastal Development Impact Assistance Fund and to require the Secretary of Commerce to provide to States national ocean and coastal development and assistance block grants from moneys in the Fund, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 29 (legislative day, JULY 12), 1982

Mr. STEVENS (for himself, Mr. MURKOWSKI, Mr. HOLLINGS, Mr. PACKWOOD, Mr. INOUYE, Mr. GORTON, Mr. MITCHELL, Mr. HAYAKAWA, Mr. CRANSTON, Mr. THURMOND, Mr. CHILES, Mr. RUDMAN, Mr. COHEN, Mr. SARBANES, Mr. RIEGLE, and Mr. JOHNSTON) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

---

A BILL

To establish an Ocean and Coastal Development Impact Assistance Fund and to require the Secretary of Commerce to provide to States national ocean and coastal development and assistance block grants from moneys in the Fund, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Ocean and Coastal Development Impact Assistance Block Grant Act".

FINDINGS

SEC. 2. The Congress finds and declares that—

(a) it is in the interest of the Nation, for both economic and national security reasons, to expand and accelerate the Outer Continental Shelf oil and gas leasing program where appropriate;

(b) such expansion and acceleration of the Outer Continental Shelf oil and gas leasing program will cause potential adverse onshore and nearshore impacts throughout the Nation's coastal areas and require States to assume additional responsibilities at a time when existing State revenues cannot respond adequately to current economic and natural resource management dislocations;

(c) the revenue generated by the Outer Continental Shelf oil and gas leasing program belong to the citizens of the United States, and, since these revenues are derived from the development of nonrenewable offshore mineral resources, should be invested in ocean and coastal natural resource management and scientific research efforts to enhance the development, use, conservation, and understanding of coastal and ocean renewable and other natural resources;

(d) the Mineral Leasing Act of 1920 presently provides for generous compensation to States affected

by extraction and development of Federal land-based mineral resources, while no comparable Federal program exists to compensate coastal States for mineral extraction from the Outer Continental Shelf;

(e) without Federal financial support the capability of coastal States to manage ocean and coastal resources, to participate in the Outer Continental Shelf oil and gas leasing program, and to avoid or minimize potential adverse onshore and nearshore impacts associated with Outer Continental Shelf exploration and development will be seriously diminished; and

(f) it is in the Nation's interest to maintain support for State management of ocean and coastal resources through such programs as fishery management programs, coastal zone management and planning, coastal energy impact programs, sea grant programs, long range scientific research, and other natural resource management efforts.

DEFINITIONS

SEC. 3. For purposes of this Act—

(a) the term "bonus revenues" means all revenues collected by the Federal Government derived from bids by corporations, partnerships, individuals, or any business entity for the resource exploration and develop-

ment of tracts of land within the Outer Continental Shelf;

(b) the term "coastal State" means any State of the United States in, or bordering on, the Atlantic Ocean, the Pacific Ocean, the Arctic Ocean, the Gulf of Mexico, Long Island Sound, or one or more of the Great Lakes;

(c) the term "coastal territory" means any of the following, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, or American Samoa;

(d) the term "coastline" means that term as defined in section 2(c) of the Submerged Lands Act (43 U.S.C. 1301(c));

(e) the term "Fund" means the Ocean and Coastal Development Impact Assistance Fund established pursuant to section 4(a);

(f) the term "length of coastal shoreline" means the length of tidal shoreline mileage and/or Great Lakes shoreline mileage of all coastal States and territories based on the most recently available official data from, or accepted by, the National Ocean Survey in the National Oceanic and Atmospheric Administration;

(g) the term "Outer Continental Shelf" means all submerged lands lying seaward and outside of the area of "lands beneath navigable waters" as defined in section 2(a) of the Submerged Lands Act (43 U.S.C. 1301 (a)), and of which the subsoil and seabed appertain to the United States and are subject to its jurisdiction and control;

(h) the term "royalty revenues" means all revenues collected by the Federal Government derived from rents, royalties; and profit share payments from Outer Continental Shelf leases;

(i) the term "Secretary" means the Secretary of Commerce;

(j) the term "State" means any coastal State or coastal territory; and

(k) the term "tract" means the geographic and legal extent of a single lease area identified by the Secretary of the Interior which is within the Outer Continental Shelf.

OCEAN AND COASTAL DEVELOPMENT IMPACT ASSISTANCE FUND

SEC. 4. (a) There is established in the Treasury of the United States a Fund to be known as the Ocean and Coastal Development Impact Assistance Fund (hereinafter referred to as "the Fund"). The amount to be included in the Fund

shall be determined pursuant to subsection (b), subject to a limit that the amount deposited in any calendar year, beginning January 1, 1983, shall not exceed 110 percent of the amount deposited in the previous calendar year.

(b) Beginning January 1, 1982, and for each calendar year thereafter, the Secretary of the Treasury shall as soon as practicable following each calendar year—

(1) determine for the preceding calendar year the amount of money deposited into the Treasury of the United States pursuant to section 9 of the Outer Continental Shelf Lands Act (43 U.S.C. 1338) derived from—

(A) the bonus revenues from each tract; and

(B) the royalty revenues from each tract;

(2) maintain for each tract an account within the Fund corresponding to bonus revenues derived from each tract leased after January 1, 1982;

(3) deposit 4 percent of all such bonus revenues derived from each tract into the Fund; and

(4) deposit 6 percent of all such royalty revenues derived from each tract after January 1, 1982 into the Fund.

OCEAN AND COASTAL DEVELOPMENT IMPACT ASSISTANCE BLOCK GRANTS

SEC. 5. (a) Subject to subsection (a) of section 6, the Secretary of the Treasury shall pay from the Fund a block grant, for the calendar year ending December 31, 1983, and for each calendar year thereafter—

(1) to each coastal State an amount of $4,000,000, except that, those States with a coastal management program approved pursuant to the Coastal Zone Management Act of 1972 (16 U.S.C. 1451, et seq.) shall receive an additional $2,000,000;

(2) to each coastal territory an amount of $1,000,000, except that, those coastal territories with a coastal management program approved pursuant to the Coastal Zone Management Act of 1972 (16 U.S.C. 1451, et seq.) shall receive an additional $1,000,000; and

(3) to each coastal State or territory an amount from the remainder in the Fund determined by the Secretary of Commerce under a formula established by the Secretary which gives the following percent consideration to each of the following criteria;

(A) a 35-percent consideration for the amount of oil or gas produced from tracts in

which the State had an interest pursuant to subsection (c);

(B) a 20-percent consideration for the amount of bonus revenues that were received in the calendar year prior to the calendar year of disbursements from the Fund, which were derived from tracts in which the State had an interest pursuant to subsection (c);

(C) a 5-percent consideration for the amount of oil or gas during the previous calendar year which is—

(i) derived from tracts, regardless of the distance of any tract to the State; and

(ii) first landed or makes its first physical contact in the State;

(D) a 25-percent consideration for the amount of coastal population of the State; and

(E) a 15-percent consideration for the length of coastal shoreline of the State.

(b) Subparagraphs (D) and (E) of subsection (a)(3) shall apply only if the State has a management program approved, or is found to be making satisfactory progress toward approval, pursuant to the Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.).

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(c) For purposes of this Act, a State has an interest in a tract if any part of the tract is within a linear distance of 250 nautical miles from the coastline of the State.

(d) For those tracts in which more than one State has an interest pursuant to subsection (c), each State shall have a percent interest inversely proportioned to the relative distance from the closest point on the coastline of each State or territory to the closest part of such tract. If a straight line could not be drawn from a tract to the outer edge of a coastal State's waters without crossing the land mass of another State, the coastal State shall get no share of the revenues from the tract.

REQUIREMENTS ON THE USE OF BLOCK GRANTS

SEC. 6. (a) No block grant shall be paid from the Fund to a State for any calendar year unless such State has submitted to the Secretary a report for such calendar year which—

(1) specifies the proposed allocation by such State of the block grant among coastal zone management activities, sea grant activities, coastal energy impact activities, living marine resource programs, and natural resources enhancement and management;

(2) describes each proposed activity receiving moneys provided by the block grant and the amounts of money proposed to be expended for each activity.

(b) Before submitting each report required under this section, each coastal State shall provide opportunities for the public to review and comment on the report and shall hold at least one public hearing on such report at a site in the State convenient for encouraging maximum public participation.

(c) No block grant shall be paid from the Fund to a State until the State has created a trust for the receipt of such block grant.

(d) Block grants provided to a State pursuant to this Act and any incomes derived from such block grant shall be used for Outer Continental Shelf and coastal development and management activities which shall include, but are not limited to—

(1) fisheries research and management;

(2) coastal management planning and implementation, as provided for under the Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.);

(3) assessment and mitigation of impacts resulting from Outer Continental Shelf or other energy activities;

(4) sea grant program activities, long-range coastal and ocean research and education, and natural resource management; and

(5) capital infrastructure necessitated by coastal energy development activities, as provided for pursuant

to the Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.).

(e) From the money paid to any State in a block grant pursuant to this Act—

(1) a minumum of 40 percent shall be granted by the State to local coastal communities which shall include—

(A) local governments of coastal counties and coastal municipalities; and

(B) unincorporated coastal areas identified by the State; and

(2) a maximum of 60 percent shall be retained by the State for purposes pursuant to subsection (c).

(f) Each State receiving block grants pursuant to this Act shall determine the amount any one eligible local government or local coastal area shall receive based upon—

(1) the size of the local population;

(2) the length of the local coastal shoreline;

(3) the potential or actual use of the local community area as a regional Outer Continental Shelf or coastal energy development staging area; and

(4) the future demands for capital infrastructure development and maintenance necessitated by coastal energy development.

(g) Funds provided to a local government or local coastal area pursuant to this Act shall be used for Outer Continental Shelf and coastal development and management activities, which may include but are not limited to the activities set forth in subsections (a) and (d).

ASSESSMENT AND AUDIT

SEC. 7. (a) Under regulations promulgated by the Secretary, any State receiving a block grant for a calendar year under subsection (a) of section (5) must submit to the Secretary an assessment of the opening and closing balance of the trust fund established pursuant to subsection 6(c), and of the receipt and the expenditure of funds provided by the block grant and the income derived on the trust fund for each State fiscal year in which the State received a block grant pursuant to this Act within 120 days following the close of such State fiscal year.

(b) Each assessment submitted by a State for a calendar year under subsection (a) must contain an audit of all funds provided by the block grant received by such State for such fiscal year. Any audit contained in an assessment pursuant to this subsection shall be conducted by an entity which is independent of any agency or official administering or using moneys provided by such block grant and shall be undertaken in accordance with generally accepted accounting principles.

(c) Not later than 90 days after receiving a State's assessment, the Secretary shall make a preliminary evaluation of each assessment submitted pursuant to this subsection. If the Secretary determines in the preliminary evaluation of a State's assessment that all or any part of the block grant funds have not been used as required by this Act, the Secretary shall publish notice in the Federal Register of this finding. Not later than 60 days after publication of such notice, the State shall be provided an opportunity for a hearing. Not later than 150 days after publication of such notice, the Secretary shall make a final determination. If the final determination is that all or any part of the block grant funds were not used as required by this Act, the Secretary shall provide in writing to the State the reasons for the determination and the amount of funds misused. The Secretary may withhold from a State's future block grant an amount equal to that determined to have been misused pursuant to this subsection.

(d) The decision of the Secretary pursuant to this subsection shall be subject to judicial review only by an action brought by the State concerned, in the United States district court for the district of that State.

(e) Any amount withheld pursuant to subsection (c), upon completion of judicial review if applicable and if favorable to such withholding, shall be returned to the United States Treasury by the Secretary.

RULES AND REGULATIONS

SEC. 8. The Secretary shall promulgate, pursuant to section 553 of title 5, United States Code, after notice and opportunity for participation by relevant Federal agencies, State agencies, local governments, regional organizations, and other interested parties, both public and private, such rules and regulations as may be necessary to carry out the provisions of the Act.

II

97TH CONGRESS
2D SESSION

S. 2794

To insure the intelligent and full utilization of marine resources.

IN THE SENATE OF THE UNITED STATES

JULY 29 (legislative day, JULY 12), 1982

Mr. WEICKER (for himself and Mr. TSONGAS) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

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A BILL

To insure the intelligent and full utilization of marine resources.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Marine Resource Management and Research Act".

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds that—

(1) marine resource management and research programs are important for the national economy, for

the intelligent use of the resources, and for conflict resolution;

(2) intelligent and full utilization of marine resources requires a national investment not only of money but in people, ideas, and the capacity to implement policy;

(3) intelligent and full utilization of marine resources requires continued and consistent Federal funding of existing and future marine resource management and research programs;

(4) the Federal Government has leased to private industry many tracts for oil and gas exploration on the Outer Continental Shelf in the past and will continue to do so in the future;

(5) the Outer Continental Shelf leasing program is a large source of revenue for the United States Treasury after taxes; and

(6) coastal States assume most of the environmental and economic risks associated with offshore development.

(b) The Congress declares that it is the purpose of this Act to assure the intelligent and full utilization of marine resources by providing continued and consistent funding of marine resource management and research programs with

the establishment of a supplemental source of funds, the Marine Resource Management and Research Fund.

DEFINITIONS

SEC. 3. For purposes of this Act—

(1) the term "coastal State" means any State of the United States in, or bordering on, the Atlantic Ocean, the Pacific Ocean, the Arctic Ocean, the Gulf of Mexico, Long Island Sound, or one or more of the Great Lakes, and includes the Commonwealth of Puerto Rico, the Virgin Islands, the Trust Territories of the Pacific Islands, and American Samoa;

(2) the term "Outer Continental Shelf" means all submerged lands lying seaward and outside of the area of lands beneath navigable waters as defined in section 2(f) of the Submerged Lands Act (43 U.S.C. 1301(f)), and of which the subsoil and seabed appertain to the United States and are subject to its jurisdiction and control;

(3) the term "Secretary" means the Secretary of Commerce;

(4) the term "coastal zone" means the same as defined by the Coastal Zone Management Act (16 U.S.C. 1453);

(5) the term "fish" means any species of living aquatic resources excluding aquatic mammals and birds;

(6) the term "marine resources" means those resources found in the marine and estuarine environments; and

(7) the term "coastal dependent migratory fish species" means all species that are dependent on near shore areas or estuaries at some time in their life cycle, such as those species that use estuarine systems for nursery grounds.

MARINE RESOURCE MANAGEMENT AND RESEARCH FUND

SEC. 4. (a) There is established in the Treasury of the United States a fund to be known as the Marine Resource Management and Research Fund (hereafter in this Act referred to as the "Fund").

(b)(1) Notwithstanding section 9 of the Outer Continental Shelf Lands Act (43 U.S.C. 1338) and except as provided in paragraph (2), the Secretary of the Treasury shall pay into the Fund not later than each January 1, occurring more than thirty days after the date of the enactment of this Act, an amount equal to 10 per centum of the amount by which all sums deposited in the Treasury of the United States pursuant to section 9 of the Outer Continental Shelf Lands Act (43 U.S.C. 1338) during the last fiscal year of the Treasury of

the United States ending before such January 1 exceeds all sums to such section during the fiscal year of the Treasury of the United States ending on September 30, 1981.

(2) The total amount paid into the Fund during any fiscal year pursuant to paragraph (1) shall not exceed $300,000,000.

(c) As provided in advance by appropriation Acts, the Secretary is required to use any sums paid into the Fund pursuant to subsection (b)(1) to supplement the funds necessary to—

(1) carry out the National Sea Grant College Program Act (33 U.S.C. 1121–1131);

(2) carry out the Coastal Zone Management Act (16 U.S.C. 1451 et seq.);

(3) carry out the Commercial Fisheries Research and Development Act (Public Law 88–309);

(4) carry out the Anadromous Fish Conservation Act (Public Law 89–304); and

(5) carry out other marine resource education, management and research programs as approved by the Secretary or the Congress and are consistent with the intent of this Act, such as research on factors that regulate the abundance of coastal and estuarine fish stocks.

(d) As provided in advance by appropriation Acts, for the fiscal year ending September 30, 1984, and for each fiscal year thereafter, a sum equal to not less than thirty per centum and not more than 40 per centum of the sums paid into the Fund pursuant to subsection (b)(1) of this section shall be designated by the Congress for use by the Secretary to supplement the funds necessary to carry out the Coastal Zone Management Act (16 U.S.C. 1451 et seq.).

(e) As provided in advance by appropriation Acts, for the fiscal year ending September 30, 1984, and for each fiscal year thereafter, a sum equal to not less than 15 per centum and not more than 25 per centum of the sums paid into the Fund pursuant to subsection (b)(1) of this section shall be designated by the Congress for use by the Secretary to supplement the funds necessary to carry out the National Sea Grant College Program Act (33 U.S.C. 1121–1131).

(f) As provided in advance by appropriation Acts, for the fiscal year ending September 30, 1984, and for each fiscal year thereafter, a sum equal to not less than 10 per centum and not more than 20 per centum of the sums paid into the Fund pursuant to subsection (b)(1) of this section shall be designated by the Congress for use by the Secretary to supplement the funds necessary to carry out the provisions of the Commercial Fisheries Research and Development Act

(Public Law 88–309) and the Anadromous Fish Conservation Act (Public Law 89–304).

(g) As provided in advance by appropriation Acts, the Secretary shall make a portion of the funds not allocated by subsections (d), (e), and (f) available to an individual State or a group of States for other marine resource education, management and research programs as approved by the Secretary or the Congress and are consistent with the intent of this Act upon acceptance by the Secretary of a formal request by the individual State or group of States. The Secretary shall establish and make readily available to the States guidelines for formal requests by the States for such funds within one year after the enactment of this Act.

(h) Any funds not allocated for uses as authorized by this Act by the Secretary for any fiscal year shall return to the Fund and be available for use under this Act in subsequent fiscal years.

MARINE RESOURCE MANAGEMENT AND RESEARCH GRANTS

SEC. 5. (a) Subject to subsections (b) and (c), the Secretary shall for the fiscal year ending on September 30, 1984, and for each fiscal year ending after September 30, 1984, provide to the appropriate office funds established pursuant to section 4(a).

(b)(1) No coastal State may receive a grant for a fiscal year under the provisions of section 4(d) unless such coastal

State has adopted and is implementing a federally approved coastal zone management program pursuant to the Coastal Zone Management Act (16 U.S.C. 1451 et seq.) and is making significant progress toward meeting the section 303(2) national coastal objectives, as determined pursuant to section 312 of the Coastal Zone Management Act, and unless such coastal State has submitted to the Secretary a report for such fiscal year which—

(A) specifies the allocation of the grant by such coastal State between coastal zone management activities, coastal energy impact programs, fishery programs, and resource development, enhancement, and management;

(B) describes each activity receiving a grant; and

(C) outlines a State coastal zone and fishery management and research plan emphasizing its consistency with the provision of section 6 of this Act.

(2) Each coastal State submitting a report under paragraph (1) shall hold at least one public hearing on each report before the report is submitted under paragraph (1) and shall provide other opportunities for the public to review and comment on the report before the report is submitted under paragraph (1).

(3) Proceedings of the hearings and other opportunities for public review and comment shall accompany the report when submitted under paragraph (1).

(c) The Secretary shall take a State's plan for coastal zone and fishery management pursuant to subsections (b) and (c) of section 6 into account when considering grant approvals provided under subsections 4 (c) and (d) of this Act.

NATIONAL COASTAL ZONE AND FISHERY MANAGEMENT AND RESEARCH PLAN

SEC. 6. (a) The Secretary shall, within one year after the enactment of this Act, submit to the President and the Congress a National Coastal Zone and Fishery Management Research Plan (hereinafter referred to as the "Plan") to establish guidelines for cooperative management and research of coastal zone and coastal fishery programs of the United States. The Plan shall include measures necessary and appropriate for the consistent conservation, management, and research of the entire coastal zone and of coastal dependent migratory fish species over their entire range.

(b) The coastal zone section of the Plan shall be consistent with the following objectives:

(1) management of coastal areas shall encourage cooperation among States;

(2) management of coastal areas shall address the impact of one State's program on adjacent programs; and

(3) management of coastal areas shall address the impact of such management on the fishing management provisions of subsection (c) of this section.

(c) The fisheries section of the Plan shall be consistent with the following objectives:

(1) management and conservation measures shall address overfishing of coastal dependent migratory fish species and establish the optimum sustainable yield for each fishery along with determining the factors that regulate the abundance of the stocks;

(2) individual stocks of coastal dependent migratory fish species shall be managed according to their needs, and priorities shall be decided on the basis of a species' immediate danger of depletion;

(3) management and conservation measures shall apply to coastal commercial and recreational fisheries;

(4) the budgets for research, management, and enforcement, required under the terms of this Act, shall be based on a reasonable relation to the values and needs of the resource to be conserved; and

(5) coastal dependent migratory fish species shall be managed on a species-by-species basis.

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(d) The Plan shall comply with management jurisdictions provided by the Fishery Conservation and Management Act of 1976 (16 U.S.C. 301).

(e) In preparing the Plan, the Secretary shall solicit views from the representatives of coastal States and a panel of scientists from Federal, State, and private institutions. Each such coastal State representative shall advise only with respect to the coastal zone and waters of his State.

(f) The Plan shall include recommendations for comprehensive studies of the various coastal dependent fish species and their environmental requirements and such other matters as may be necessary to carry out the Plan. Such recommendations shall also include a determination of—

(1) life histories of the various species;

(2) life histories of those species of marine life that impact on migratory fish species;

(3) habitat assessment including the identification of the important biological, physical, and chemical components and their role in the habits of the various species;

(4) identification of food sources and their effects on behavior, population dynamics, migratory habits, and distribution of the various species; and

(5) the probable impacts on the various species resulting from environmental modification.

(g) Prior to submitting the Plan to the President and the Congress, the Secretary shall hold at least one public hearing on the Plan and shall provide other opportunities for the public to review and comment on the Plan. The proceedings of any hearing or other public review and comment shall accompany the Plan when submitted to the President and the Congress.

EFFECTIVE DATE OF THE PLAN

SEC. 7. (a) The Plan shall become effective on October 1, 1983, or as otherwise provided under subsection (b), unless disapproved under the terms of such subsection and, after it becomes effective, shall not be modified unless such modification is submitted to the President and the Congress under the terms of such subsection. Any such modification, unless disapproved by the Congress under subsection (b), shall take effect after one hundred and eighty days following the final date on which such disapproval could occur under the provisions of such subsection.

(b)(1) The Plan first submitted to the Congress under section 6 shall take effect as provided in subsection (a), unless during the first period of sixty calendar days of continuous session of the Congress after the date of such submission, either House adopts a resolution disapproving the Plan so recommended and submitted. For the purpose of this subsection the continuity of a session is broken only by an adjourn-

ment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in the computation of the sixty-day period.

(2) Paragraphs (3) through (9) of this subsection are enacted by Congress—

(A) as an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, and as such they are deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in such House in the case of resolutions described by this subsection; and they supersede other rules only to the extent that they are inconsistent therewith; and

(B) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedure of that House) at any time, in the same manner, and to the same extent as in the case of any other rule of that House.

(3) If the committee, to which has been referred a resolution disapproving the Plan or modifications thereto submitted under this subsection, has not reported the resolution at the end of ten calendar days after its introduction, it is in order to move either to discharge the committee from further

consideration of the resolution with respect to the same Plan or modifications which has been referred to the committee.

(4) A motion to discharge may be made only by an individual favoring the resolution, is highly privileged (except that it may not be made after the committee has reported a resolution with respect to the same recommendation), and debate thereof is limited to not more than one hour, to be divided equally between those favoring and those opposing the resolution. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(5) If the motion to discharge is agreed to, or disagreed to, the motion may not be renewed, nor may another motion to discharge the committee be made with respect to any other resolution with respect to the same regulations or modifications.

(6) When the committee has reported, or has been discharged from further consideration of, a resolution with respect to such Plan or modifications, it is at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(7) Debate on the resolution is limited to not more than two hours, to be divided equally between those favoring and those opposing the resolution. A motion further to limit debate is not debatable. An amendment to, or motion to recommit, the resolution is not in order, and it is not in order to move to reconsider the vote by which the resolution is agreed to or disagreed to.

(8) Motions to postpone, made with respect to the discharge from committee, or the consideration of, a resolution with respect to such Plan or modifications, and motions to proceed to the consideration of other business, shall be decided without debate.

(9) Appeals from the decisions of the Chair relating to the application of the rules of the Senate and the House of Representatives, as the case may be, to the procedure relating to a resolution disapproving such Plan or modifications shall be decided without debate.

(10) In the event the Congress disapproves such Plan, or any modification, during such sixty-calendar day period, the Secretary shall, within ninety days thereafter, submit a revised Plan or modifications, as the case may be. Such revised Plan or modifications shall take effect after one hundred and eighty days following the final date on which a disapproval by Congress could occur under the provisions of this subsection unless, during the first period of sixty-calendar

days of continuous session of the Congress after the date of such submission either House adopts a resolution disapproving such revised Plan or modifications.

Senator STEVENS. Mr. Corrada.

STATEMENT OF HON. BALTASAR CORRADA, RESIDENT COMMISSIONER OF PUERTO RICO, U.S. HOUSE OF REPRESENTATIVES, ACCOMPANIED BY GERARD GIL, LEGISLATIVE ASSISTANT

Mr. CORRADA. Mr. Chairman, members of the committee, thank you for the opportunity to share with you this morning my views on S. 2792 and S. 2794, two different versions directed to the implementation of a fund from revenues of the Outer Continental Shelf leasing program for the development and best management of our ocean and coastal marine resources.

Accompanying me today is Mr. Gerard Gil, legislative assistant to me on matters pertaining to marine resources.

Senator Stevens and Senator Weicker should be commended for their individual efforts in drafting these two fine pieces of legislation for the benefit of our valuable marine resource management and resource programs. As has become apparent, these programs face an absence of adequate funding which is detrimental to our coastal States and to the Nation as a whole, including Puerto Rico.

I welcome the initiative encompassed in these bills, for I believe that it is imperative that our country continue its work to protect and develop the ocean fisheries and living marine resources. The administration's proposal to terminate Federal support for the coastal zone management program, the coastal energy impact program, and the national sea grant program clearly places in a predicament our national effort to preserve marine resources. Using Outer Continental Shelf revenues as an alternative source of funding to rescue the marine resources protection and development activities is a sound and particularly fitting idea.

The continued funding of the ocean and coastal development activities is of great concern to the people and the government of Puerto Rico. As you know, Puerto Rico has taken a very active role in a broad range of ocean, fishery, and coastal programs, including the national sea grant program.

The coastal zone management program is one of the most important activities since it touches on such a broad range of natural resources affecting the island. Puerto Rico coastal management program was accepted by the Secretary of Commerce in September 1978. It took 4 years in preparation, at a cost of about $2 million, of which $1.4 million represented Federal grants under section 305 of the Coastal Zone Management Act of 1972 as amended.

Mr. Chairman, Puerto Rico has a department of natural resources headed by a secretary of the Governor's cabinet, and that department of natural resources is now in the fourth year of implementation of the program, and has received $4.9 million in Federal grants in aid under section 305 of the act toward total program budgets amounting to $6.3 million.

Puerto Rico's coastal management program identified three main problem areas: Coastal hazards—including hurricane flooding—coastal resources, and coastal development. All three areas are being dealt with as elements of the continuing implementation activity. Federal funds enabled the department of natural resources in Puerto Rico to establish and equip a Rangers Corps, which has

since been supported entirely with local funds. The Rangers patrol coastal resource areas on land, at sea, and in the air. As a result of recommendations made to the secretary by the Citizen Advisory Committee on the Coastal Zone, the Rangers are receiving special training to expand their capability well beyond that of simple law enforcement. They can now explain to people they encounter what it is that they are protecting and why it deserves to be protected. In addition, the Ranger Corps is receiving training so that it can assist in emergency management in times of disaster.

The department of natural resources in Puerto Rico is identifying areas subject to special danger from coastal flooding as a result of hurricane tides, as well as from riverine flooding as a result of intense rainfall in the steep mountain valleys that affect coastal development. The hazard mitigation plans prepared by the department's staff are considered exemplary by the Federal Emergency Management Agency. They are being implemented with evacuation plans and with action programs to relocate families, using local funds to supplement the Federal programs available for such purposes.

Coastal management funds are being used to explore and evaluate undersea sand deposits, which can substitute for dwindling onshore sources of sand needed for construction. The extraction of sand from offshore areas will require major investment by private enterprise, but it will require a new program of monitoring.

The department has embarked on a long-range program to make the general public more aware of the importance of coastal and marine resource. By special arrangement with the department of education, the science programs at elementary, junior high and senior high school levels will include units on coastal resources and their importance to the island. Coastal funds are being used to develop the curriculums and to provide the training for the teachers who will give the courses. Outdoor classrooms are being designed and developed at several areas around the island to be used for field trips by school children. Members of the Ranger Corps will participate in the educational program during such field trips.

A system of natural reserves is being established. Management plans are being developed for coastal areas that require special consideration. New regulations are being prepared for activities that affect coastal resources such as the use of off-road vehicles, public access to beaches and the management of wetlands. Research is being conducted into the impacts of human activity on reef communities that protect the island's shoreline against wave action. The department also coordinates the many water-related activities of the U.S. Army Corps of Engineers.

The coastal and marine resources management program is important because of Puerto Rico's condition as a tropical island. Almost 72 percent of the island's 3.2 million people live in coastal municipalities, up from 66 percent in 1970. Puerto Rico has 78 towns or municipalities with mayors and city councils, and of those, 45 are coastal municipalities, 33 are not.

The central mountain range is steep and inhibits development, as a result of which most new activity is in the coastal areas. Puerto Rico has one of the highest population densities in the world. Among U.S. jurisdictions, only New Jersey has a higher den-

sity. The States of Rhode Island, Massachusetts, and Connecticut follow Puerto Rico in population density.

The dependence of Puerto Rico on ocean shipping increases the propensity for damage from oil spills which affect not only marine life, water birds, and coastal water quality, but also the island's beaches, which are a primary focus of tourism and local recreation.

Puerto Rico has a unique concentration of coastal and marine resources, with a rich variety not equaled elsewhere in the United States or the world. The insular waters provide shelter for a number of rare and endangered species of marine mammals and other treasures. The constant interaction between human activity and nature urgently requires a continuing program of monitoring, evaluation, and protection such as is possible under the proposed program.

Puerto Rico also has had the benefit of a sea grant program which started in January 1977, with the granting of a marine advisory services project to the Humacao University College. It has grown rapidly ever since, and in 1980 the program was granted a coherent status. This achievement ratified the importance, usefulness, and potentialities of the sea grant program to the island community, university administrators, educators, and government agencies.

The marine advisory service establishes the university-agency-industry cooperation that needs to be promoted on the island, and it is the first of its kind working with and for fishermen in Puerto Rico. Adviser services are offered in fish harvesting, marine manufacturing, and marine transportation. Approximately 150,000 Puerto Ricans are benefiting from this program.

In addition, given Puerto Rico's geographic location, situated in the tropical Atlantic and the Caribbean, the sea grant program in Puerto Rico contributes significantly to the national sea grant program in areas of tropical marine processes investigations. Also, due to its configurations, Puerto Rico can be thought of as a small-scale continent. A great diversity of tropical marine environments are easily accessible, which saves time, expenses, and efforts for a variety of studies.

The sea grant program has been highly successful throughout the Nation as well as complementary to the administration's program for economic recovery. This program has led to or stimulated over $227 million in annual gross revenue or savings for many marine or coastal resource based industries. The total Federal support for sea grant program has been only $270 million since its creation in 1966.

Mr. Chairman, given the continuing importance of the existence of these programs, I prefer the approach taken in S. 2792 of the two bills, because it more realistically provides for any future changes in the program. Under S. 2974, the fund would receive 10 percent of the difference between the base year for fiscal 1981 and each succeeding year with a ceiling of $300 million.

This means that the fund would operate only if there is an increase in revenues over the 1981 level of $9.27 billion. This approach relies too much upon the success of the administration's plans for expanding the OCS program. Under that plan, the OCS would have to raise revenues of at least $12 billion in 1983 and suc-

ceeding years in order to have a fairly well funded ocean and coastal development program.

I believe this revenue sharing program must be given every possibility of a long and well-funded life, and the way that S. 2792 envisions the source of income for the fund by merely taking a modest 6 percent of the royalties and 4 percent of the bonuses derived from oil and gas production in the OCS activities seems to me to be a more realistic approach.

Notwithstanding my support of your bill, Senator Stevens, I am puzzled by the differential treatment granted to Puerto Rico and the other territories under the provisions of the bill pertaining to minimum shares for each coastal State and territory. It is my belief that one of the main objectives of this bill, and I quote from Senator Stevens' statement introducing the bill, is to "insure that all States have adequate resources to accomplish their part of the national interest in coastal matters."

Puerto Rico, Mr. Chairman, with 700 miles of tidal shoreline, has a tidal shoreline larger than seven of the coastal States. Our coastal shoreline is larger than Connecticut, Alabama, Rhode Island, Delaware, Mississippi, New Hampshire, and Pennsylvania, and a general shoreline of 310 miles, which is longer than any State except for Florida, Louisiana, Texas, Alaska, California, and Hawaii.

It does not make any sense not to give State-like treatment to Puerto Rico, at least among the other territories—Puerto Rico is much larger, obviously, than the others—in a bill envisioned and designed in the national interest for the proper development of the Nation's marine resources.

Also, may I say that Puerto Rico provides, right there in the middle of the Caribbean, a very important and critical economic zone area of 200 miles for the United States which, of course, adds immeasurably, at least potentially, to the future development of those areas, with Puerto Rico having, of course, title and control to its submerged lands of three marine leagues under an act passed by Congress in 1980 which is similar to Texas and some portions of the coast of Florida.

As an Island, Puerto Rico devotes a lot of time and effort to the conservation and development of the fishery and living species along our coastal areas. I may add, marine issues are an intrinsic part of our daily lives. What we need is the resources to put a lot of creativity to work for the benefit not only of Puerto Rico but for the permanent and continuing enhancement of our Nation's marine resources.

In sum, Mr. Chairman and members of the committee, I strongly urge you to amend section 5 of S. 2792 to give equal treatment to Puerto Rico and to enact, of course, this legislation which is so important to the Nation as a whole.

That concludes my statement, Mr. Chairman.

Senator STEVENS. Thank you very much. You have a good point. We will review the bill to see if the committee wishes to amend it as you have suggested.

Senator Mitchell.

Senator MITCHELL. I have no questions.

Senator STEVENS. We will be in touch with you during the markup of the bill so that you can make comments concerning its application to your territory.

Mr. CORRADA. I deeply appreciate that, Senator Stevens, and let me say, there is a provision in your bill that would distribute about 40 percent of the funds to the units of local governments, municipalities, and so on. I think that those units of local government in Puerto Rico would be prepared to manage and administer this wisely. There is a precedent in the case of the community development block grant program. Currently, the small cities in Puerto Rico manage about $47 million allocated to Puerto Rico under the CDBG program, and they have that experience.

Furthermore, the government of Puerto Rico has an agency called the Municipal Services Administration, which is a state agency created solely for the purposes of providing technical assistance and managerial assistance to the 78 municipalities in Puerto Rico in order for them to be able to implement important programs. So, I believe that this feature in your bill should not be a problem in the case of municipalities and local communities in our island.

Senator STEVENS. Good. Well, we are glad to have that information. We thank you, and again, I apologize for keeping you waiting.

Mr. CORRADA. Thank you very much, Senator Stevens and members of the committee.

Senator STEVENS. Dr. Van Lopik, representing NACOA.

STATEMENT OF DR. JACK R. VAN LOPIK, MEMBER, NATIONAL ADVISORY COMMITTEE ON OCEANS AND ATMOSPHERE

Dr. VAN LOPIK. Mr. Chairman and members of the National Ocean Policy Study, I am pleased to speak today on behalf of NACOA, a non-Federal, 18-member advisory group appointed by the President. Our enabling legislation mandates that we advise both the President and the Congress on marine, atmospheric, and coastal zone policy matters.

We appreciate this opportunity to present our views on OCS revenue sharing, and specifically on the bills introduced this month by Senators Stevens and Weicker.

NACOA has looked at a number of issues in its review of OCS revenue sharing, and we have a detailed position paper that I would like to submit for the record. This morning, I will outline, very briefly, our position and the principles upon which it is based.

Let me say first that NACOA supports the concept of sharing Federal OCS oil and gas revenues with coastal States. We believe that funds should be shared among all coastal States and Territories, including Great Lakes States. A fund of $300 to $400 million a year would be appropriate.

We also believe that it is in the national interest to earmark half of the funds for the continuation of coastal and marine activities, such as resource management, education and research, and living and mineral resource development. The other half of each State's share should be disbursed at the discretion of the State legislature. Passthrough of some funds to local coastal governments should be required.

We believe that OCS revenue sharing should not be subject to the annual congressional appropriations process. We do recommend, however, that the legislation be subject to reauthorization after 3 years.

We endorse the approach to disbursement of funds in the Stevens bill; that is, with a minimum amount for each coastal State, a bonus for approved Coastal Zone Management plans, and an increased amount for States affected by nearby OCS development. We also endorse the approach in the Stevens bill to Federal oversight, with annual Department of Commerce reviews and DOC authority to withhold State funds when they are not spent according to the purposes of the legislation.

Our position is based on a number of principles that are similar to those listed in the "findings" sections of both the Stevens and Weicker bills.

First, NACOA recognizes the severity of the present national economic situation, and we support administration efforts to trim Federal programs and increase State and private sector responsibilities. We are concerned, however, that—except for OCS oil and gas development—inadequate consideration is being given to the current and future value of the coastal zone and the oceans to our Nation's economy.

Along the same lines, we believe it is in the long-term economic interest of the Nation to provide a continued Federal perspective for ocean and coastal programs. Multiuse conflicts are growing in our crowded coastal zone and Continental Shelf areas; and many of the problems cross State boundaries, making resolution solely at the State level difficult or impossible.

Third, it is also in the national interest to support marine education and research. This will provide the necessary technology and manpower for future coastal and marine activities conducted by both public and private sectors.

Fourth, after reviewing the history and status of onshore revenue sharing, we believe there are political and economic inequities in the present policies concerning distribution of Federal leasing revenues. Some States are probably receiving moneys out of proportion to any impact suffered from Federal land ownership and onshore leasing activities.

Finally, it is clear that Federal OCS oil and gas cannot be recovered without some staging operations and other impacts along the States coastlines. Industry is acting as lessee to the Federal Government in OCS energy development. OCS revenue sharing would provide some Federal funds for mitigating the impacts of Federal OCS development.

In summary, NACOA believes that a small percentage of OCS revenues derived from the extraction of nonrenewable Federal resources should be invested in a Federal-State partnership for managing the Nation's coastal and marine resources and the training of future generations of coastal managers, marine scientists, and ocean resource developers.

I would be happy to answer any questions, Mr. Chairman.

Senator STEVENS. Thank you very much, Dr. Van Lopik. I am sure all of us are pleased to have the support of NACOA, which we know is made up of people who have dedicated their own personal

time to come in to give the Federal Government and the Congress their advice.

I do not have any questions concerning your statement. Do you?

Senator MITCHELL. Yes, I would like to ask a question, Mr. Chairman.

You suggest, in your statement, earmarking half of the funds for continuation of certain coastal and marine activities. As I understand the legislation proposed, it would just leave it open ended, leave it up to the States. Why are you suggesting that there be earmarking? Why half? Would you just discuss in some detail your views with respect to that? Why is earmarking necessary?

Dr. VAN LOPIK. Well, in looking at the existing marine and coastal zone programs, we find that the total authorization for these is around $410 million. NACOA is concerned with marine program activities and the need to keep these going. It would require somewhere around $300 million or $400 million to maintain this activity level. That is the approach that we took in coming up with an estimate of the amount of money required.

Senator MITCHELL. In other words, what you are saying is, a certain level of activity is going on which you feel is appropriate, so working backward from that, you come up with the figure that is necessary to continue that?

Dr. VAN LOPIK. Yes, sir.

Senator MITCHELL. Do you envision that enactment of this bill would result in an expansion or an increase of coastal and maritime programs by the States?

Dr. VAN LOPIK. I do not know that there would be expansion by the States. NACOA's primary interest is to encourage OCS development; that is part of the marine activity that we are interested in promoting. We would like to have this done in an environmentally safe manner, however. We would like to encourage all marine related development as much as we can. I would think that without something like this legislation, there certainly will not be any great increase on the part of the States in these activities.

Senator MITCHELL. But without this, there would be a decrease in such activities, clearly.

Dr. VAN LOPIK. Clearly.

Senator MITCHELL. So this legislation is essential if we are going to at least maintain the present level of such activities.

Dr. VAN LOPIK. Yes, which we believe is essential.

Senator MITCHELL. Do you think that it is appropriate to reward States for developing coastal zone management programs, singling that out above all others, as this legislation does?

Dr. VAN LOPIK. Yes.

Senator MITCHELL. What are your reasons for that?

Dr. VAN LOPIK. Well, again, if the State has shown the initiative in developing a coastal zone management program and taken an effort to do this, we think it should be recognized.

The States that have pursued the development of coastal zone management programs are the ones that would be subject to impacts associated with OCS development in many cases, and the coastal zone problem is certainly a national issue. So we feel that the States that have taken the initiative in developing programs

for the coastal zone, which is not only in the interest of the State but also in the interest of the Nation, should be rewarded.

Senator MITCHELL. So you agree with the premise of the bill that of all the activities that are possible from this, the one activity that is most essential and most overriding and necessary to foster is the coastal zone management program?

Dr. VAN LOPIK. Well, the statement in the testimony here, and that we have agreed on, is that we have not singled out a specific ongoing program like the coastal zone management program or sea grant or any other; but certainly in the past NACOA is on record as being supportive of the principles embodied in these programs.

Senator MITCHELL. Thank you. I have no further questions.

Senator STEVENS. Senator Murkowski.

Senator MURKOWSKI. Doctor, do you envision, if this legislation becomes law, that programs such as the sea grant would be at all in jeopardy from the standpoint of the lessening of Federal support of those programs to provide funding to the legislation which we have discussed today, which would reach out to the impacted areas, and as a consequence, do you foresee a lessening of communication, if you will, as a consequence of each State having the capability to do certain things that it ordinarily probably would not be able to do because of the cost if this legislation were not in existence?

Dr. VAN LOPIK. Well, there are some special problems with sea grant that I think Dr. Corell will address in his testimony. From a personal standpoint, and viewing what is happening in the State of Louisiana, I do not think there is any question that, if the State is expected to pick up the total support for the sea grant activity, it is certainly going to be cut back. There is no question about that.

In the last session of the State legislature, there was an amendment passed providing that Louisiana would pick up the Federal funding share if Federal funds for the sea grant program were terminated as the administration had recommended. I think, however, that the Governor would have vetoed this measure. Fortunately, Federal funding for the program was not terminated, so we have a reprieve, at least for another year.

So, that is the situation in the State of Louisiana, and I think many other States would be in the same position also. Without some continuing Federal overview of what is happening with sea grant, I doubt that there would be the communication among the sea grant institutions in the various states as there is now. If it were up to each State, there would be a wide diversity of levels of support, probably, and different emphases. I think that the networking concept, which is vital to sea grant, would not continue unless there is some sort of Federal overview and monitoring of how all this fits together.

Senator MURKOWSKI. Thank you. I have no further questions.

Senator STEVENS. Senator Gorton.

Senator GORTON. No questions.

Senator STEVENS. Thank you very much. We appreciate your taking the time to come, Doctor.

[The statement follows:]

Position Paper—The Sharing of Federal Outer Continental Shelf Oil and Gas Revenues With Coastal States

POSITION STATEMENT

The National Advisory Committee on Oceans and Atmosphere (NACOA) has reviewed the concept of sharing Federal Outer Continental Shelf (OCS) oil and gas revenues with coastal States, including: the analogy to existing onshore revenue sharing programs; the question of political and economic equity in the current disbursement of Federal-lands leasing revenues; the impacts of Federal OCS energy activities on coastal states; the question of national interest in coastal and marine programs, and the appropriate Federal role; and legislative proposals for OCS revenue sharing.

Our review led to the following findings and recommendations:

1. NACOA supports the concept of sharing Federal OCS oil and gas revenues with coastal States.
2. The funds should be shared among all coastal States and Territories, including Great Lakes States, and the revenue sharing should begin as soon as is practical.
3. A fund of $300 million to $400 million per year would be appropriate.
4. It is in the national interest to earmark some of the funds (50 percent) for the continuation of certain coastal and marine activities—specifically, coastal and marine management, marine education, and marine living and mineral resource development.
5. The other 50 percent of each State's share should be disbursed "at the discretion of the State legislature" to make OCS revenue sharing more analagous with onshore revenue sharing legislation.
6. The OCS revenue sharing should not be subject to the annual Congressional appropriations process. The Act should, however, be subject to reauthorization in 3 years.
7. NACOA supports the general approach to disbursement of the funds among States that is found in Senator Stevens' bill (S. 2792). Specifically, we endorse: a minimum for each State; a "bonus" for States with Federally approved Coastal Zone Management (CZM) programs, and an increased amount for States affected by nearby OCS oil and gas activity.
8. NACOA endorses the approach to Federal oversight taken in S. 2792, with the Department of Commerce reviewing State spending plans to ensure compliance with intent of the legislation, and with authority to withhold funds for noncompliance.
9. Passthrough of some funds to local coastal governments should be required; the Department of Commerce should oversee this as part of its review of each State's spending plan.

BACKGROUND

To provide perspective in examining the Outer Continental Shelf (OCS) revenue sharing concept, NACOA has reviewed the onshore revenue sharing provisions, some of which have been operating for decades. Table 1 provides a listing of these programs, and Table 2 shows how much money was disbursed to each State in fiscal year 1981 under the various statutes.

In the early 1900's, revenue sharing schemes were enacted to ease State opposition to Federal retention (versus disposal) of lands within State borders, and to encourage settlement of the relatively unpopulated western lands. The suggestion of Congress that the funds be used to build roads and schools was less intended to mitigate local socioeconomic impacts from activities on Federal lands than to provide incentives for developing and settling the States. Funds are disbursed to the States, not the local counties that might be adversely affected by Federal land activities, and the Federal Government has never exercised—nor did the Congress intend—any oversight concerning the use of the funds.

Controversy over OCS leasing revenues began in the 1920's when California issued oil and gas leases for submerged lands off its coast. In 1945, President Truman stated (Executive Proclamation No. 2667) that the Federal Government has jurisdiction over all submerged coastal lands and (Executive Order No. 9633) placed the natural resources of the continental shelf under jurisdiction of the Department of Interior. The U.S. Supreme Court subsequently denied California, Texas, and Louisiana claims, ruling that the rights of the State ended at the water's edge. In the late 1940's, a bill reversing the Court's decision passed Congress but was vetoed by President Truman. The Submerged Lands Act of 1953 changed the State boundaries to 3 statute miles offshore (unless a prior boundary could be proved; Texas and Florida boundaries are set at three leagues—10.5 nautical miles—offshore). The sover-

eign rights of the States, including those of regulation and taxation, now stop at these seaward boundaries.

As the oil "crisis" of the 1970's focussed increased attention on OCS oil and gas exploration and development, Congress raised the question of aid to coastal States for dealing with OCS-related impacts. A number of revenue sharing proposals were introduced in the late 1960's and the late 1070's (see Table 3), but the Administration preferred a categorical grant program funded directly from appropriations without reference to OCS receipts or revenue sharing. The Coastal Energy Impact Program (CEIP) was established 1976. Table 4 lists CEIP grant disbursements to States through fiscal year 1981.

The Administration proposed termination of Federal funding for Coastal Zone Management (CZM) and the Coastal Energy Impact Program (CEIP) in fiscal year 1981 because, in its view, the programs have achieved their purposes, and local impacts from OCS oil and gas activity have been less than expected. The proposed termination of these and other marine programs (Sea Grant, fishery grants) has prompted the States to raise again the issue of OCS revenue sharing, and some Members of Congress are examining the concept as a way to continue funding of coastal and marine programs they believe to be in the national interest. Several pending bills—H.R. 5543, S. 2792, and S. 2794—are the latest expression of this interest.

OCS oil and gas revenues are expected to increase in future years due to accelerated leasing, streamlined regulations for OCS exploration and development, and perhaps rising oil prices. The source and distribution of OCS revenues is outlined in Table 5, and past receipts collected and future projected amounts are shown in Table 6.

DISCUSSION

Analogy with onshore revenue-sharing programs

There is, at this time, no demonstrated legal argument that ensures OCS oil and gas revenue sharing for coastal States as an analogy to onshore revenue sharing under the Mineral Leasing Act. The Mineral Leasing Act deals with Federal lands within State borders, and OCS lands beyond 3 miles are not within State borders. NACOA does, however, perceive a political and economic inequity in the two cases.

In the case of onshore Federal lands, the States have several sources of compensation for the effects of Federal-land ownership and mineral leasing activities on the Federal lands within their borders. In addition to shared leasing revenues, the States receive payments in lieu of taxes to compensate for their loss of property taxes due to Federal land holdings within the State borders. The States also can impose severance taxes on the companies working mineral leases on Federal lands to compensate for the State's loss of nonrenewable resources.[1] Additional taxes can be imposed on any employees or industry facilities sited on State lands adjacent to the Federal-land activities. Thus, in the case of onshore Federal-lands leasing, the States have recourse to mitigate impacts through industry/employee taxation, plus severance taxes, plus payments in lieu of taxes, plus Federal revenue sharing. The recent rise in oil and gas prices has produced Federal onshore revenue sharing receipts for many States that are probably out of proportion with any impacts suffered from Federal-land ownership and leasing activities.

By contrast, the only cost-recovery mechanism for coastal States affected by OCS-related impacts is through shore-based industry facilities and employment taxation.[2] Because the OCS energy activity is undertaken by industry as lessees to the Federal Government, it seems unreasonable to place the full burden of coastal impact mitigation on industry (or on the States). The Federal Government should take some responsibility for mitigation of any coastal impacts caused by development of its OCS resources.

If one combines all Federal-lands leasing revenues—from onshore and offshore mineral leasing, and timber and grazing leases—the uneven distribution of Federal revenues among the States nationwide is another aspect of political and economic inequity.

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[1] As upheld by the 1981 Supreme Court case, *Commonwealth Edison Company* v. *State of Montana.*

[2] A recent attempt by one coastal State to extend its taxation authority by imposing a "first-use" tax on OCS gas transported across its State was ruled to be in violation of interstate commerce laws in the 1981 Supreme Court case, *State of Maryland* v. *State of Louisiana.*

Impacts of OCS oil and gas activity

The subject of OCS-related coastal impacts has always been controversial and difficult to quantify in formulae. Some of the problems include the difficulty in separating impacts from Federal versus State (within 3 miles) OCS activity: inconclusive research results on environmental impacts of drilling muds and even of oil spills; and the difficulty in quantifying or predicting risk of a catastrophy.

Although the OCS drilling program has an excellent safety record, there is great potential for temporary coastal damage and local adverse economic impacts (e.g., tourist industry losses) if there should be a blow-out. And although some effects of offshore activity cannot be easily documented, there are certainly some negative impacts. Valuable coastline acreage has been used for offshore staging operations, refineries, tank farms, and pipelines. Public access to the coast has been incrementally decreased; wetlands acreage, and thus the fishery habitat area, has been decreased; and population stresses on local community facilities have increased. There can even be impacts on local economies from offshore energy activities interfering with, or displacing, commercial fishing activities. It is clear that, although OCS oil and gas do not fall within coastal State boundaries, the Federal Government cannot recover its OCS resources without some staging operations and other impacts within the States' coastal zones.

National interest in coastal and marine programs

Coastal management programs have been involved with far more than just OCS energy-impact issues. During the last decade there have been enormous growing stresses on the Nation's coastal zone.

Coastal populations are growing far faster than the Nation's average. Increased leisure time, money, and mobility have caused a boom in pleasure boating and other coastal recreation activities, causing more demand for public access to the coast. The declining U.S. balance of payments has focused new attention on the value of our commercial fishery resources, and the value of their wetland habitats. U.S. coal export opportunities are forcing plans for rapid port development and channel dredging, requiring the disposal of massive amounts of dredge spoil. Coal transhipment activities have occupied many sites on the Great Lakes shoreline. The need for coastal facilities in support of OCS energy development is only one of the many conflicting-use problems in the Nation's coastal zone.

These problems all have a local impact, of course, but many—energy needs, recreation and public access needs, fishery resources, and marine pollution—cross State boundaries. Such conflicting-use decisions also can create great political and economic pressure at the local and State government levels. These problems collectively become a national concern. For example streamlined local and State coastal area permitting helps industry nationally; reduced coastal hazard-area development reduces national disaster and income-loss payments from the Federal treasury. The Federal Government has invested effort and funds for structural frameworks necessary within States to handle coastal management problems, while still keeping general Federal oversight for protection of the national interest. Without continued Federal funding, the Coastal States Organization asserts that many of the State programs will be weakened or dismantled.

The Federal Government also has invested, through Sea Grant, in marine education, training, and research. The Federal/State partnership in this program has provided marine technology transfer among the States, while providing Federal coordination of local and State programs to ensure that national problems are addressed efficiently. Without continued Federal support for Sea Grant, we will slow marine education at a time when there is growing public and private industry demand for well-trained staff to solve marine policy, research, and development problems.

It is in the long-term economic interest of the Nation to invest in a continued Federal role in planning for wise and efficient use of the Nation's coastal and marine resources, and in the training of future generations of coastal managers, marine scientists, and ocean resource development specialists.

OCS revenue sharing

The question of Federal versus State jurisdiction over OCS lands (beyond 3 miles), and their resource revenues, is still a matter of some controversy.

As recently as 1975, in the Supreme Court case *United States* v. *Maine,* the Atlantic margin States challenged the ability of the Submerged Lands Act to supercede their colonial charter boundaries. The Supreme Court ruled in 1954 that Federal/State jurisdiction boundaries are a domestic matter governed by Congress, and set by Congress in the Submerged Lands Act; the Court upheld this opinion in the *U.S.* v. *Maine* case. This also apparently means that Congress can change the boundary,

by amending the Submerged Lands Act and the OCS Lands Act. Although the coastal States and Congress have not reopened the OCS jurisdiction dispute, they are—in response to the proposed termination of Federal funding for the CZM, CEIP, and Sea Grant programs—raising OCS revenue sharing arguments again.

OCS revenue sharing schemes proposed in the past either extended the States' offshore boundaries, or shared revenues largely with coastal States adjacent to the OCS activity. Both of these approaches might cause inequities. The States affected by Georges Bank development would receive little benefit from a 12-mile offshore boundary. Adjacent-State sharing formulae do not address the fact that coastal staging operations and population stress are not always concentrated in the State adjacent to the most OCS activity. Because of prevailing winds or currents, the environmental risks also may not be greatest in the adjacent State. Adjacent-State sharing of OCS revenues also does not address impacts of other national interest coastal energy-related activities, such as coal transshipment and port development.

A more reasonable scheme would allow the sharing of a small percentage of Federal OCS revenues among all coastal States. Unlike onshore revenue sharing programs, some of the funds should be earmarked for mitigation of impacts from Federal coastal and offshore energy activities, and for broader marine and coastal programs that are in the national interest. Thus, the receipts generated by extraction of a non-renewable offshore Federal resource would be invested in planning for the wise use of renewable coastal resources and for training of future generations of personnel to deal with the wide range of coastal and marine problems that will remain after OCS oil and gas activities are gone.

In the meantime, this also would allow a more equitable sharing of Federal-lands leasing receipts; inland States would continue to receive by far the bulk of onshore leasing receipts, but all coastal States would begin to receive a share of receipts from OCS leasing activities.

TABLE I.—REVIEW OF ONSHORE REVENUE-SHARING PROGRAMS.

1908: National Forest Revenue Act (16 U.S.C. 500)

Twenty five percent of Federal receipts from national forest lands for timber harvesting, mineral leases, and other uses are shared with counties in which the forest lands lie.

Receipts are to be used to build roads and schools.

DOI estimates $275 million in fiscal year 1982.

1920: Mineral Leasing Act (30 U.S.C. 181 et seq.)

Thirty seven and one-half percent of Federal receipts from mineral extraction leases on Federal lands will be shared with States in which these lands lie.

In 1976, the Act was amended to allow a 50-percent share (90 percent for Alaska) to the States, and to suggest that funds also be used for planning and constructing public facilities to mitigate impacts from activities on Federal lands.

Receipts are to be used for building roads and schools, but are to be disbursed at the discretion of the State legislatures.

No monitoring or guidance on use of funds is exercised by the Federal government.

DOI estimates $700 million in fiscal year 1982.

1934: Taylor Grazing Act (43 U.S.C. 315 et seq.)

Fifty percent of Federal receipts from grazing and stock-raising leases on Federal lands will be shared with States in which the lands lie.

Receipts have no limitations on use, but should benefit affected counties.

1964: Land and Water Conservation Fund Act (16 U.S.C. 460L)

The Fund is to comprise $900 million per annum drawn from Federal property sales, motorboat fuel tax, and OCS oil and gas revenues (over 30 percent has come from OCS revenues in recent years).

Funds will be used by Federal and State governments for acquisition and maintenance of park lands.

Sixty percent of the Fund will be used for matching grants to States. Of the States' share, 40 percent is distributed equally among 50 States and the remainder is allocated according to a formula based on population distribution.

State grants and Federal expenditures under this fund are currently frozen by the Reagan administration.

1976: Payments in Lieu of Taxes Act (Public Law 94-565)

Ten cents per acre of federally owned land in addition to other receipt sharing programs—or 75 cents per acre instead of shared revenues—whichever is greater, will go to States in which Federal lands lie.

The funds are intended to reimburse States for property taxes lost due to Federal land ownership.

DOI estimates $45 million in fiscal year 1982.

TABLE 2.—REVENUE SHARING PAYMENTS TO STATES, FISCAL YEAR 1981

[In thousands of dollars]

State	Total fiscal year 1981 [1] payments	Mineral Leasing Act	In lieu of taxes	Taylor Grazing Act	Miscellaneous others [2]
Alabama	155	39	116	0	0
Alaska	6,378	2,610	3,792	0	−24
American Samoa	0	0	0	0	0
Arizona	10,332	2,146	7,882	304	1
Arkansas	1,781	224	1,557	0	0
California	35,261	23,598	11,331	217	115
Colorado	32,521	25,055	7,264	187	15
Connecticut	8	0	8	0	0
Delaware	4	0	4	0	0
District of Columbia	5	0	5	0	0
Florida	2,322	136	2,186	0	0
Georgia	838	0	838	0	0
Guam	<1	0	<1	0	0
Hawaii	39	0	39	0	0
Idaho	10,647	2,964	7,289	360	34
Illinois	318	0	318	0	0
Indiana	288	0	288	0	0
Iowa	128	0	128	0	0
Kansas	1,133	768	365	<1	0
Kentucky	703	0	703	0	0
Louisiana	529	390	139	0	<1
Maine	52	0	52	0	0
Maryland	152	0	152	0	0
Massachusetts	164	0	164	0	0
Michigan	1,638	32	1,606	0	0
Minnesota	1,147	0	1,147	0	0
Mississippi	385	36	349	0	0
Missouri	750	0	750	0	0
Montana	20,549	11,809	7,698	393	649
Nebraska	519	188	330	1	0
Nevada	14,632	8,250	5,526	591	265
New Hampshire	311	0	311	0	0
New Jersey	168	0	168	0	0
New Mexico	118,654	108,177	9,798	649	30
New York	158	0	158	0	0
North Carolina	1,737	0	1,737	0	0
North Dakota	6,207	5,614	583	10	0
Northern Marianas Islands	0	0	0	0	0
Ohio	431	0	431	0	0
Oklahoma	2,239	1,487	741	<1	11
Oregon	102,179	493	2,779	321	98,586
Pennsylvania	508	0	508	0	0
Puerto Rico	14	0	14	0	0
Rhode Island	1	0	1	0	0
South Carolina	113	0	113	0	0
South Dakota	2,510	791	1,627	92	<1
Tennessee	601	0	601	0	0
Texas	1,457	0	1,457	0	0
Utah	27,014	18,155	8,626	223	10
Vermont	133	0	133	0	0
Virginia	1,474	0	1,474	0	0

Footnotes at end of table.

TABLE 2.—REVENUE SHARING PAYMENTS TO STATES, FISCAL YEAR 1981—Continued

[In thousands of dollars]

State	Total fiscal year 1981 [1] payments	Mineral Leasing Act	In lieu of taxes	Taylor Grazing Act	Miscellaneous others [2]
Virgin Islands	25	0	25	0	0
Washington	1,476	37	1,405	32	2
West Virginia	813	0	813	0	0
Wisconsin	766	0	766	0	0
Wyoming	126,994	118,427	7,679	861	27
Total	539,370	331,426	103,978	4,244	111,722

[1] Totals do not include matching grants through land and water conservation fund, or revenue sharing from the National Forest Revenue Act (figures from the National Park Service not yet available).

[2] Miscellaneous disbursements include: Proceeds of land sales (31 U.S.C. 711), Oklahoma royalties (65 Stat. 252), Oregon and California grant lands (43 U.S.C. 1181f), National grasslands (7 U.S.C. 1012), Coos Bay Wagon Road grant lands (53 Stat. 753).

Source: All figures provided by DOI/Bureau of Land Management, 1981.

TABLE 3.—OCS REVENUE SHARING PROPOSALS INTRODUCED IN CONGRESS, 1967–1980

Year	Bills	Author	Description
1967	S. 531	Kuchel	Amend Land and Water Conservation Fund Act—dedicate 100 percent OCS revenues to fund for 5 years.
	S. 1401	Jackson	
	S. 2828	Harris	
1968	H.R. 17369, H.R. 17373, H.R. 17405, H.R. 17407, H.R. 17440.	Willis	Amend OCS Lands Act—62.5 percent OCS revenue to a marine resource conservation and development fund; 37.5 percent OCS revenues to adjacent State for public schools and roads.
1971	H.R. 5254	O'Neill	Amend OCS Lands Act, 40 percent OCS revenues to a marine resources conservation and development fund; 60 percent OCS revenues to adjacent State up to $50 million per year, with reduced percent above that amount on sliding scale; applies only to leases beyond 12 miles offshore.
1973	H.R. 1738	Downing	Amend OCS Lands Act—100 percent OCS revenues from leases out to 12 miles offshore to adjacent State; coastal States have full mineral rights and leasing authority out to 12 miles.
	H.R. 3506	Sandman	
1973	H.R. 9132	O'Neill	Amend OCS Lands Act—40 percent OCS revenues adjacent to each State (up to $50 million) to a marine resource conservation and development fund; 60 percent OCS revenues to adjacent State up to $50 million, reducing percent scale above $50 million.
1973	S. 2389	Stevens	Amends OCS Lands Act—50 percent OCS revenues to adjacent State, 25 percent revenues disbursed among all States, 25 percent OCS revenues to Treasury, miscellaneous receipts.
1978	H.R. 1615	Murphy	Amends OCS Lands Act.

TABLE 3.—OCS REVENUE SHARING PROPOSALS INTRODUCED IN CONGRESS, 1967–1980—Continued

Year	Bills	Author	Description
		Breaux	Amendment No. 36—37.5 percent OCS revenues to coastal States; formula based on oil and gas produced and landed; OCS acres leased; new employment in adjacent State.
		Hughes	Amendment 37—20 percent OCS revenues to coastal States; formula same as No. 36 above; maximum 30 percent, minimum 1 percent for any adjacent State.
		Treen	Amendment No. 38—First 1.5 million barrels of oil and gas landed, to adjacent State; $0.20 per barrel first year, down to $0.08 per barrel first year, down to $0.08 per barrel fourth year, with $100 million per year maximum.
		Treen	Amendment No. 39—15 percent OCS revenues to coastal States; formula same as No. 36 above.
		Treen	Amendment No. 40—10 percent OCS revenues to coastal States; formula same as No. 36 above.

TABLE 4.—COASTAL ENERGY IMPACT PROGRAM (CEIP) GRANTS [1]

[In thousands of dollars]

State	Fiscal year 1981 grants	Total grants fiscal years 1977–81
Alabama	904	1,547
Alaska	0	5,949
American Samoa	75	75
Arizona		
Arkansas		
California	382	6,263
Colorado		
Connecticut	403	1,549
Delaware	325	1,348
District of Columbia		
Florida	0	3,214
Georgia	0	157
Guam	0	190
Hawaii	109	225
Idaho		
Illinois		
Indiana	227	306
Iowa		
Kansas		
Kentucky		
Louisiana	7,066	43,669
Maine	474	1,791
Maryland	0	1,368
Massachusetts	671	2,135
Michigan	285	908
Minnesota		
Mississippi	995	2,248
Missouri		
Montana		
Nebraska		
Nevada		
New Hampshire	93	1,140
New Jersey	998	2,996
New Mexico		
New York	754	1,903
North Carolina	225	1,538
North Dakota		

Footnotes at end of table.

TABLE 4.—COASTAL ENERGY IMPACT PROGRAM (CEIP) GRANTS [1]—Continued

[In thousands of dollars]

State	Fiscal year 1981 grants	Total grants fiscal years 1977–81
Northern Marianas Islands	0	156
Ohio	21	743
Oklahoma		
Oregon	593	726
Pennsylvania	156	242
Puerto Rico	0	32
Rhode Island	1,011	2,025
South Carolina	649	1,403
South Dakota		
Tennessee		
Texas	5,224	9,453
Utah		
Vermont		
Virginia	0	159
Virgin Islands	46	174
Washington	243	1,925
West Virginia		
Wisconsin	125	351
Wyoming		
Total	22,054	97,908

[1] Note that grants only are shown; loans are not considered analagous to revenue sharing disbursements. Total CEIP loans for fiscal year 1981 were $6.835 million; total loans for life of the program—fiscal year 1977 to 1981—were $127.946 million.

Source: All figures provided by DOC/NOAA/Office of Coastal Zone Mangement, 1981.

TABLE 5.—SOURCE AND DISBURSEMENT OF OCS REVENUES [1]

RECEIPTS

Bonus—The bid offered on a lease; 20 percent of bonus must be offered by companies at the bidding; the other 80 percent is due when the bid is executed; 20 percent bonuses are returned to all losers.

Rent—A standard per acre yearly rental on lease area; lower limit set by Congress, working limit set by DOI; currently at $8 per acre for OCS leases ($2 per acre for onshore mineral leases).

Royalty—The Federal Government's share of production, lower limit set by law at 12½ percent.

HANDLING

Bonuses and first-year rents are collected by DOI/Bureau of Land Management (BLM).

Royalties and outyear rents are collected by DOI/U.S. Geological Survey (USGS) and turned over to BLM.[2]

All bonuses and rents are placed in the Federal Treasury in a general receipts account (No. 141820).

All royalties are placed in the Federal Treasury in another general receipts account (No. 142020).

Disputed receipts are placed in an escrow account. For example, revenues from OCS oil and gas pools lying across the 3-mile boundary have been disputed by coastal States for many years.

[1] Information provided by DOI/Bureau of Land Management, 1981.

[2] This split system of collection is designed to avoid illegalities in Federal collections; it was instituted because of the Teapot Dome scandal that concerned improper onshore royalty collection.

DISBURSEMENTS

The Land and Water Conservation Fund Act of 1965 authorized OCS receipts to be transferred to the Fund annually in whatever amount is necessary to reach the authorized level, currently $900 million. Federal land sales and motor boat fuel taxes also go to the Fund, but OCS receipts have supplied more than 80 percent of the funds in recent years.

Annual transfers also are made to the Historic Preservation Fund.

The remainder of OCS receipts are treated as "negative" receipts, and used to offset deficits in the Federal Treasury.

TABLE 6. OCS RECEIPTS/OCS FUND DISBURSEMENTS/PROJECTED RECEIPTS

[In millions of dollars]

	Fiscal year		Total
	1980	1981	
Receipts:			
Bonuses, rents	$2,261,297	$7,851,813	[1] $32,711,455
Royalties	1,839,574	2,286,169	[1] 11,214,928
Escrow	19,745	1,797	[1] 1,219,298
Total	4,120,746	10,839,779	[1] 45,145,631
Disbursements:			
Land and water conservation fund	805,940	866,457	[2] 5,281,095
Historic preservation fund	150,000	150,000	[3] 524,400

[1] Fiscal year 1955–81: The OCS Lands Act of 1953 gave the Federal government, through the Department of the Interior, clear authority to begin leasing OCS lands beyond the 3-mile limit.
[2] Fiscal year 1969–81.
[3] Fiscal year 1977–81.

Projected future receipts (bonus, rent royalty)

Fiscal year:	*Total*
1982	$11,000
1983	12,200
1984	13,300
1985	13,900
1986	13,900

All figures provided by DOI/Bureau of Land Management, 1981.

Senator STEVENS. Mr. Rocque, representing the Coastal States Organization. Good morning.

STATEMENT OF ARTHUR ROCQUE, JR., CHAIRMAN, COASTAL STATES ORGANIZATION

Mr. ROCQUE. Mr. Chairman and members of the committee, good morning.

My name is Arthur Rocque. I am representing the Coastal States Organization as their chairman. I have a prepared statement here which has been submitted for the record. You have copies. I will not read it. I will hopefully summarize its content.

Senator STEVENS. It will be printed in full in the record, Mr. Rocque.

Mr. ROCQUE. The Coastal States Organization represents a broader perspective than just the coastal zone management programs in this country. However, today I am going to speak primarily from the CZM perspective. CSO strongly supports OCS receipt sharing. We have testified both before the House and other Senate committees on this concept, and we strongly support it, and feel that the legislation needs to be enacted.

The coastal zone management program was a national experiment which was designed to balance resource protection with development, responsible development in the coastal area, and the experiment has begun to show measurable benefits. Many States have been able to simplify the permit process, largely as a result of the CZM programs. They have reduced the time that is required for Federal consistency certifications under the Coastal Zone Management Act.

A number of States have produced very useful studies. I am not an individual who is a big supporter of studies per se, but a number of these studies have led to water-dependent development, marine-related development in the coastal area. Most States in this country with a shoreline have developed a CZM program, a majority of which were approved within the last 2½ years.

It takes about 3 to 5 years to institutionalize a program like a coastal zone management program at the State level. If there is a change in the regulatory structure, if there is a change in the operating rules and the relationships between agencies at the Federal level, State level, and local level, then it takes that length of time to institutionalize such programs.

A CSO survey about a year ago shows that two-thirds of the States' CZM programs will cease to function without Federal monetary support. The current administration wants to end the CZM experiment, and it uses basically two arguments for doing so. It claims the States are ready to take the programs over. I think that is clearly false in light of the statistic I just gave you on two-thirds of the programs failing, and it is false when it is considered in light of the other budget cuts.

I would like to note that many, in fact, a majority of the Governors of the States support legislation similar to S. 2792 and S. 2794. The New England Governors' Conference, the Western Governors' Conference, and the Southern Governors' Conference have all supported resolutions supporting this type of legislation, as has the National Governors' Association.

The administration's second reason is that it claims that if the CZM programs were worthwhile, the States should lobby for appropriations. We have—two attempts to rescind funds from CZM in the last 2 years have been successfully defeated, yet the recommended budget from the administration still comes through with zeroes.

The coastal zone management program is Congress program as much as it is the States' program, however. Congress stated through the CZMA that if the States develop programs to protect the national interest, Federal money would be available for implementation. The Coastal Zone Management Act reauthorized through 1985 only a year and a half ago, in 1980, and then in 1981 the budget was cut to zero.

Federal money is being cut out of these programs before they are institutionalized at the State level. I cannot emphasize that strongly enough. Now, failure to save the coastal zone management programs will make several common remarks by critics of such programs, including the administration, self-fulfilling prophesies. First, that it is another environmental planning program with no lasting benefits. If the programs are not allowed to mature and in-

stitutionalize, there will be no lasting benefits. Second, the statement that the Feds cannot be trusted. They offer a carrot in the national interest and leave the States with just a carrot top.

Third is that the States aren't interested in OCS development. They are just interested in litigation. Well, I would point out that the technical staffs at the State level that review OCS development plans and exploration plans are largely funded through CZM grants. Loss of this staff may leave litigation as the only alternative, the only measure that the States have to buy the necessary time to undertake the statutorily guaranteed reviews that they have been given.

The litigation to date which has been very highly publicized has been focused primarily on requiring the Department of the Interior to follow statutorially set requirements for State participation. It has not been opposed to the OCS leasing program in general. There have been a few tracts that States have asked to be deleted, and have largely been ignored by the Department of Interior, resulting in litigation.

I would like to give you some specific comments on the two bills that we have before us. CSO strongly supports the incentive for coastal zone management programs and program approval in the allocation formula. We feel that that is essential to success of this legislation at the State level. We are also in support of minimum funding per State. We feel that there needs to be a guaranteed minimum per State so that all States will have sufficient funds to plan on to be able to continue their programs.

We also support a general target to coastal zone management and coastal zone management related programs, including the fisheries programs and Sea Grant. Not to target these funds, it would seem, would leave those moneys to compete with all the other interests at the State level.

We also think that the idea of a national CZM fisheries management and research plan is intriguing, and I would urge that further consideration and further study of that idea be given. It seems like an idea that may well pull together a variety of interests. We are trying in the northeast to pull those interests together though coastal zone management, and congressional initiative would certainly help.

We would also suggest as a final point that the local pass-through, the grant funds that get passed through to the coastal municipalities be required to be consistent with a State CZM program for those States with approved coastal management programs and the National Coastal Zone Management Act if a State has no approved coastal zone management program.

I would like to speak for just a minute about what benefits inland States may get from this program. First, I would point out that receipt sharing for coastal States is basically a matter of equity. Inland States get revenues from mineral extraction on Federal lands to the tune in the last 6 months of approximately $272 million. Coastal States do not get those funds.

Further, the inland States can tax, tax the activities as they come off the Federal lands for further revenues and, of course, coastal States cannot tax anything on the Outer Continental Shelf.

I think the benefits of the CZM program on a nationwide basis are perhaps best summed up by a question that was before the House Rules Committee on Tuesday. Representative Taylor from Tennessee asked what benefits Tennessee gets from H.R. 5543, which is similar legislation pending before the House. Representative Derrick of South Carolina's response was that Tennessee gets to enjoy the coast of South Carolina, well protected, and developed responsibly. I think that is a clear benefit to all inland States, and I would note that the Representative from Tennessee voted yea.

In closing, I would just like to reflect upon and quote some remarks made by Senator Murkowski, with his permission, when this legislation was introduced. He stated that.

We must ensure adequate fiscal incentives and resources are available to States so that they can assume their rightful role in researching, planning, and preparing for impacts which they will experience from development. Properly constructed revenue sharing to the States can turn ill-prepared, uncompensated risks into properly balanced and anticipated opportunities.

Further, in speaking of the New Federalism.

A practical example of Federalism with which we can all identify is the goal of this legislation. It is an approach such as this which can balance Federal policy and fiscal support with State management and programmatic control that will result in resource development that is both responsive and responsible.

Gentlemen, the Coastal States Organization could not have said it better.

Thank you.

[The statement follows:]

STATEMENT OF ARTHUR J. ROCQUE, JR., CHAIRMAN OF THE COASTAL STATES ORGANIZATION

Mr. Chairman and Members of the committees, my name is Arthur J. Rocque, Director of Planning for the State of Connecticut and Chairman of the Coastal States Organization (CSO). On behalf of the CSO, which is a membership organization of those states, commonwealths and territories having an ocean, gulf or Great Lakes boundary. Members of the CSO and its governing body are formally appointed by their respective governors. The purpose of the organization is to represent and promote the states perspectives, developed by consensus, on coastal and marine related issues.

I appreciate the opportunity to appear before you today to present our views regarding this important legislation. Such legislation would establish grants, including block grants from OCS receipt sharing funds to provide Federal financial assistance to states for activities, resources, and research affected by coastal development.

Following the unanimous endorsement of the New England Governors' Conference, the CSO, on March 4, 1982, adopted with no dissenting votes, a resolution in support of OCS receipt sharing legislation. Since then, CSO has been joined by the Western Governors' Conference, the Southern Governors' Conference, and the National Governors' Association, in approving resolutions of support for the legislation.

The resolutions highlight many of the arguments that you will undoubtedly hear today. It should be emphasized, however, that the resolutions of both the Western and Southern Governors' Conferences indicate inland state support for OCS receipt sharing legislation.

While we are encouraged over the recent introduction and cosponsorship of OCS receipt sharing legislation by nearly 20 Senators, and the scheduling of these hearings, it is critical to many state coastal management programs, that the legislation be enacted this session.

According to a study conducted by the CSO last year, if this legislation is not enacted and/or grants provided to states for coastal management activities beginning no later than fiscal year 1984, 10 states would dismantle their coastal zone management agency and abandon coastal management efforts. Another ten states would discontinue separate planning efforts and continue only limited program activities. Only five federally approved coastal management programs would remain intact

with probable reductions in responsibility. Moreover, those states such as New York, New Hampshire, and Virginia, which have made recent progress in coastal program development, would be unable to complete their efforts.

With an abrupt termination of funding by the end of fiscal year 1983 for state coastal management programs, between 60 to 80 percent of the state staffs would also be lost. These potential staff reductions would undoubtedly affect the processing of various coastal permits, particularly those pertaining to OCS exploration and development plans. The currently commendable average of state review and consistency response of 31 days (120 days is permitted under law) would most assuredly be increased as states strain to meet their statutory responsibilities. Such delays in obtaining statutorily required permits and associated costs would clearly outweigh what could be saved by the Administration in not funding state coastal management programs.

To successfully respond in a timely fashion to Federal consistency certification and to enable the Federal Government to meet its OCS goals, states must have capable, technical staff—currently supported in large measure by Federal CZM funding.

It is shocking to those of us who are charged with managing state and this Nation's coastal resources, that just as the second year of a five year reauthorization of the Coastal Zone Management Act (CZMA) nears its end and with many state coastal plans beginning to mature (seven states and two territorial plans have been approved since 1980), we are facing the demise of our achievements. This Administration, which recently approved an unprecedented 5-year plan to lease and develop the OCS, also seeks to terminate funding for state administered Federal ocean and coastal programs. In so doing it ignores the extent to which such programs serve the national interest—which is one of the reasons Congress initially enacted the programs and provided financial assistance under, the CZMA, the Coastal Energy Impact Program, Sea Grant, the Commercial Fisheries Research and Development Act and the Anadromous Fish Conservation Act.

The Administration's commitment to managing its ocean and Great Lakes resources is heavily imbalanced toward energy production and revenue generation and seeks to erode the partnerships fostered by Congress between the Federal Government and state and local governments. Such partnerships have been responsible for many of the successes in coastal management.

The recent litigation furthered by states regarding the Administration's OCS lease sales in California, were a direct result of the Federal Government being perceived by states as not recognizing a states' legitimate concerns and recommendations regarding OCS development. I would venture to say that if the Administration was to ever uphold the true partnership with states and local governments that is required by Federal statute, that the energy needs of the Nation would be met more quickly. The legislation before us today provides the mechanism to fund in an equitable manner a productive and sustaining teaming of interests between the Federal Government, state and local governments.

Do coastal states have any alternatives to support and maintain coastal management programs from related Federal OCS development? Unlike inland states, coastal states are prohibited from directly taxing OCS petroleum exploration and development activities, since the OCS is, by definition, not within state territorial boundaries. Thus, OCS receipt sharing legislation proposes an equitable solution to coastal states to finance prorams to manage, research, and mitigate OCS activities. These activities may not be within state boundaries, but their impacts are. It is unreasonable to have states assume all the risks associated with OCS development—a Federal activity without an equitable and related means to recover associated costs.

In closing Mr. Chairman, I would like to offer some specific comments regarding the two OCS receipt sharing measures.

First, we support the provisions contained in the allocation formula of S. 2792, which provides an incentive for states to develop and implement state coastal management programs, as it is under existing law;

Second, we suppoort a minimum funding allocation per state, such as the $4 million state minimum proposed in S 2792. We firmly believe and the Congress has held, that coastal management is in the national interest—deserving of Federal support to all coastal states;

Third, although the CSO has not fully examined the proposed national coastal zone and fishery management and research plan in S. 2794, we believe the provision has merit and should be considered further by the committee;

Fourth, we suggest that Section 6 of 6. 2792 be amended to require that the use of funds by local governments of a state with a federally approved coastal zone management program, be consistent with such a program. This added language would

provide greater continuity between both levels of government within a state to manage its coastal resources; and,

Lastly, we strongly support the principle embodied in the legislation that a share of those revenues derived from non-renewable offshore resources, which belong to all the citizens fo the United States, be allocated to ocean and coastal programs. Public investment in such programs is in the national interest and will provide needed long term management for affected renewable coastal resources.

In conclusion, the Coastal States Organization strongly supports the concept of OCS receipt sharing and urges the committee to move forward on the legislation. It is extremely important to coastal states and the Nation, that funding be provided for vital state programs and activities, which will enable OCS and other coastal development to occur in a sound and well-managed fashion. The allotment of a modest share of revenue derived from the development of public lands off the shores of coastal states, will provide long-term benefits in the management of, and research on, renewable coastal resources. Coastal states are willing to accept the responsibility of managing such resources, and are willing to form a strong viable partnership with the Federal Government, with the effectiveness Congress intended when the CZMA and its amendments were passed, but they must be supported financially to do so.

Mr. Chairman, that concludes my prepared statement. Again, thank you for the opportunity to testify. I would be happy to answer any questions you may have.

Senator STEVENS. Mr. Corell, National Association of State Universities and Land Grant Colleges. Good morning.

STATEMENT OF ROBERT CORELL, NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND GRANT COLLEGES

Mr. CORELL. Good morning, Senator Stevens and members of the Senate Commerce Committee and the National Ocean Policy Study.

It is a pleasure and a privilege for us to be here to testify before you today. It is my opportunity to speak in behalf of the National Association of State Universities and Land Grant Colleges and of the Sea Grant Association.

We would like to begin by expressing our appreciation to you, Mr. Chairman, and to other members of the committee for the long-term support and interest that has existed within this committee for the national sea grant college program.

We are here to discuss two important pieces of legislation, S. 2792 and S. 2794. The sea grant community has no objection to revenue sharing per se. In fact, in previous statements, it has been our sea grant's position to support the concept of revenue sharing. What concerns us is how sea grant might or might not fit into such legislation, and that is the issue that I plan to address this morning. It is in that context that we will defer to other witnesses who will examine other aspects of this legislation, and I will confine my remarks solely to matters related to the sea grant college program.

The basic point we want to make is that the national sea grant college program has been effective. It has become a national asset in the same sense that the land grant idea has evolved over many decades to become an important national asset. It is vital not only to the Nation as a whole but to the States of whom we are speaking so much this morning. It is our view that it continues to deserve authorization, and that whatever funding mechanism is provided, it should leave the basic benefits and purposes that have evolved in the last 16 years into that piece of legislation. It is an excellent piece of legislation, we think. It has been molded, adapt-

ed, and adjusted through the reauthorization process in both Houses of Congress.

The concept of using a portion of the OCS revenues for long-term investment in our national marine resource strategy, an essential component of our national ocean policy, has many merits in our view. The two bills under consideration today address the use of such funds from several different vantage points via revenue sharing and block grant approaches, as well as trust fund mechanisms.

During the past 15 years that sea grant has been in existence, and particularly as we have focused over the last several years, it has become clear that there are seven major principles or basic premises upon which the sea grant program has been built that in our judgment have made it the asset we think it is for this Nation.

First, it is national in orientation, and it is a network building on strong local programing and allowing cooperation and eliminating duplication between States.

Second, it is a university-based program involving education, research, and extension and advisory-like services.

Third, it is a multiple partnership working between industry, commerce, business, the general public, and all levels of Government, from the Federal to the local.

Fourth, it is a matching fund program demanding support from all sectors and participants.

Fifth, it is a broad marine resource-oriented program concerned with the development, management, and conservation of our coastal and oceanic resources.

Sixth, it is a competitively funded program allocating funds on the basis of quality and capacity to deliver.

Finally, it is an accountable program, accountable to Congress, accountable to the partners funding the effort, and to the scientific community. In our view, it is one of the most thoroughly reviewed programs that has evolved in this country, and we believe it is this oversight that has led to its productivity.

Let me choose an example or two as they particularly relate to our interests this morning. An important OCS-related effort developed at the MIT sea grant program integrated technical, economic and legal planning as it relates to oil spill control. This work was undertaken at the request of industry, Government, and citizens' groups, and after initial development by sea grant, additional support was provided by the U.S. Navy, the Coast Guard, the Spill Control Association of the United States, a manufacturer of oil-spill cleaning equipment, an oil company, the Commonwealth of Massachusetts, and a private foundation. Additional in kind support was supplied by these and other groups who have worked with citizens' groups and scientists from other universities to bring this idea into being. After 5 years of development, this spring, program managers have met with Federal and local officials in South Carolina who are now developing the plan to apply to Charleston Harbor.

In our view, this is the real world validation of a research idea which leads to capabilities that are not only important to Massachusetts or MIT but to other States in this Nation. This kind of long-range, high-risk research followed by technology transfer is our model of how a nationally competitive multiple partnership idea works.

Other sea grant OCS activities occur throughout the border coastal States, but also in the Great Lakes. For example, Wisconsin has pioneered underwater mining institutes and underwater mining research that have played so much of a role in our interest in the law of the sea, and in the Northeast there has been a substantial amount of work related to the Georges Bank situation, that not only involves our universities, but industry and Government.

Mr. Chairman, these two pieces of legislation address important, legitimate national and State needs. A State government dimension is very critical from our point of view. As you know, most of our programs have strong State support and State match, and are deeply involved in locally perceived important issues and problems. All of us strongly believe that national problems are often best identified and solved at the local level.

At the same time, problems and opportunities of the marine environment do not know State boundaries. Further, they are larger, long-term and generic rather than short-term problems that can be addressed in this fashion. The sea grant program would never have worked if it was solely a national program. Similarly, it would not work in our view if it became solely a State program or, for that matter, a private sector program. It is the combination of partners working together that have allowed a rounded, problem-oriented, goal-driven approach and that have allowed the sea grant program to increasingly concentrate on long-range, high-risk research that a recent study has shown to be the mainstay of sea grant's contribution to economic development.

It would be a shame to change a system that has worked so well and that has become a national model for cooperative enterprise among government, the private sector, and the universities.

In our view, sea grant is one of the most cost-effective programs in which the Federal Government has become involved, with significant achievements in technological and scientific areas. It is providing impartial technical assistance to all sectors of our community. It is a major source of technical manpower, particularly in the scientific and engineering domain as it relates to ocean needs. This committee, I am sure, is well aware of the critical national shortage in this area.

We do not, at this point, have specific recommendations or suggestions to either bill. Ultimately, any changes will depend on your perception of the basic principles as they relate to sea grant. We look forward to working with you and your staff. They have been extraordinarily responsive to our needs and interests.

While we must remain primarily concerned about the future of the national sea grant college program, we would like to underscore, in closing, that we support the aspiration and legitimate needs of States, local communities and other important national marine programs and that we are committed to working cooperatively with these units in the best interest of our national ocean policy.

We thank you for the opportunity to appear before you today and for your continued support of the sea grant idea.

Thank you.

[The attachments follow:]

ATTACHMENT A

MARINE RESOURCE INVESTMENT, OCS REVENUES AND THE NATIONAL SEA GRANT PROGRAM

1. The national interest requires a national ocean policy and a marine resource strategy which will promote economic development, enhance wise use of resources and provide for conflict resolution.

2. Investment in people, ideas and technology transfer is basic to any resource strategy. Partnership programs involving the public and private sectors are necessary means for carrying out investment. The National Sea Grant College Program is an important and effective element in this partnership approach.

3. The Sea Grant community urges that any legislation involving the National Sea Grant program should leave intact those elements that have been fundamental to the program's effectiveness: (a) Its national orientation and network, building on strong local programming; (b) its university base; (c) its multiple partnership approach, working with industry, business, the general public and all levels of government; (d) its matching fund nature; (e) its broad marine resource orientation; (f) its competitive funding; and (g) its accountability to Congress, its partners and the scientific community.

4. The Sea Grant Programs look forward to the 1983 reauthorization process. We have not asked to be exempted from the annual rigorous scrutiny of the appropriations process. At the same time, we realize that the Congress may decide on a different approach to the achievement of marine policy goals, or that a trust fund or block grants might be used to supplement regular appropriations.

5. The adoption of a new funding mechanism should not be used to change the fundamental nature of a program.

6. A portion of OCS revenues might be used in a number of ways, e.g., via revenue sharing, block grants or a trust fund approach. Each of these is a means toward achieving certain public goals. Revenue sharing and block grants are primarily federal/state/local funding mechanisms for government activities. If Sea grant is to be included in a new marine program funding mechanism, a trust fund approach or a mechanism specifically recognizing the essential characteristics of the National Sea Grant College Program and the capacities of the universities involved would seem to be the most desirable approach.

7. To insure accountability and responsiveness to national needs, any allocation with a primarily programmatic purpose should be subject to appropriations. Individual program elements should undergo separate scrutiny in the appropriations process. Except as explicitly decided in the authorization and appropriations processes, no covered program should be placed in greater jeopardy than is currently the case.

8. In the interest of stability, funds available for the purposes of the proposed legislation should perhaps be based on some form of three to five year average of OCS revenues, rather than on the vagaries of year-to-year income. Alternatively or in addition, a floor and a ceiling might be set. Wild swings of funding, up or down, do not lead to good programming, and should be avoided if possible.

9. While we concentrate on maintaining capacity for current national marine resource policy, we also ought to take stock of where we have come during the last 15 years of rapid progress in the marine field and to assess where we go in the future. There appears to be an opportunity and need for a new Stratton Commission. It is precisely when times are difficult that we should be examining new strategies for the future.

ATTACHMENT B

REAUTHORIZATION OF THE NATIONAL SEA GRANT COLLEGE PROGRAM: GUIDING PRINCIPLES FOR USE BY THE SEA GRANT COMMUNITY

1. The national interest requires a national ocean policy and a marine resource strategy in order to promote economic development, enhance wise use of resources and provide for conflict resolution.

2. Investment in people, ideas and technology transfer is basic to any ocean policy. A strong, on-going, university-based research, education and technical assistance program is a fundamental part of this investment.

3. The National Sea Grant College Program has successfully carried out its role as the basic university marine resouce program, and it should be continued without fundamental change.

4. The essential characteristics of the National Sea Grant College Program should be maintained: (a) Its national orientation and network, building on strong locai

programming; (b) its university base for education, research, and public service; (c) its multiple partnership approach, working with industry, business, the general public and all levels of government; (d) its matching fund nature; (e) its broad marine resource orientation; (f) its competitive funding; and (g) its accountability to Congress, the Federal Government, its partners and the scientific community.

5. Development and continued support of Sea Grant Colleges in all eligible states should be maintained as a priority goal.

6. Opportunities should be maintained for the broadest possible participation in the program by qualified institutions and investigators.

7. The capacity for an international element in the program should be maintained.

8. The authorization level should be adequate to meet the goals of the program as established by Congress.

9. In view of the rapid expansion of marine program authorization during the last decade, the continued fragmentation of administrative responsibility for the programs and the fiscal climate, a major review of national ocean policy, along the lines of the Stratton Commission, could serve an important function in examining alternative strategies for future marine policy.

Senator STEVENS. You are dependent upon the annual appropriations process. If this bill passes and becomes law, would you feel comfortable in relying upon an allocation of a portion of the State's funds under this program for sea grant activities?

Mr. CORELL. That depends in large measure on the final words that are placed in the bill itself. We think that the oversight that Congress has had on the sea grant program has been an extraordinarily healthy input, both in the reauthorization and through the appropriations process.

As Dr. Jack Van Lopik suggested, if the funds are block granted through the States, it is our view that there will be a substantial change in the character of the national sea grant college program. The network of colleges working together addressing problems such as those in the Gulf of Maine or on the west coast demand the resources of many institutions working together. The political realities in the States, if we rely solely on State distribution of funds to sea grant, will mean the sea grant program will change its character and its focus.

It is our view that it would be difficult to address some of these regional or larger issues because of that. However, there are mechanisms suggested in bills before us today and in the House that can allow the sea grant program to both be a participant at the State level and through the national level.

I do not know that I have answered your question.

Senator STEVENS. What you are saying is that you would like some funds from both pods, is that right?

Mr. CORELL. Not necessarily. In fact, I think the present mechanism works remarkably well. We are not at all unhappy about going to our State legislatures and stating our needs clearly and not asking for a Federal passthrough to support the sea grant college program. And it works in many States. In fact, I think it works in most States.

The States know that we are trying to address programs and issues that are important to that region and are willing to allocate State funds for that purpose. The national aspect of the program allows us to address a broader range of programs and we work—in effect, we have a double jeopardy problem. We need to appear before you and the authorizing committees of the Congress to

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defend the important national aspects of the program and appear before State legislatures to defend the local nature of the program.

Over the 16 years the process has evolved and molded in such ways that I believe we are addressing both dimensions. So I would not argue for both sources.

I think our point is the Federal component allows us to have this national competitive character that allows us to work across State boundaries and address major issues of national importance that are also important to our region.

Senator STEVENS. Thank you. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Mr. Corell, I assume, though, that you would like the assurance of some type of steady level of support, be it from a combination of State and Federal—there being no other alternative. Is that correct?

Mr. CORELL. That is right. We need the ability to plan our programs more than a year at a time. Most of the problems we address are longer term.

Senator MURKOWSKI. So in your testimony you express some concern about the aspects of what the legislation might do in the sense of giving the States more flexibility, but by the same token you do not see it as necessarily a threat to the sea grant program.

Mr. CORELL. The kind of flexibility they need, they need, and the legislation is addressing those things. Our concern is strictly at the sea grant aspect of the whole thing.

Senator MURKOWSKI. Thank you. I have no further questions.

Senator STEVENS. Thank you very much.

Mr. CORELL. Thank you for the opportunity to appear before you.

Senator STEVENS. Karen Gottovi. Good morning.

STATEMENT OF KAREN GOTTOVI, COMMISSIONER, NEW HANOVER COUNTY, N.C., AND CHAIRMAN, LAND USE AND GROWTH MANAGEMENT STEERING COMMITTEE, ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES, ACCOMPANIED BY JOHN MURPHY, ASSOCIATE DIRECTOR, NATIONAL ASSOCIATION OF COUNTIES

Ms. GOTTOVI. Good morning. Mr. Chairman and members of the committee, I am Commissioner Karen Gottovi of New Hanover County, N.C. I am appearing today on behalf of the National Association of Counties, known as NACo, whose land use and growth management steering committee I chair.

With me today is John Murphy, who is associate director of NACo and who staffs our committee.

NACo is pleased to be able to present its views on S. 2792, the Ocean and Coastal Development Impact Assistance Block Grant Act.

By way of background, Mr. Chairman, NACo has long been a supporter of proper management of ocean and coastal natural resources. That is why NACo has long been a supporter of the Coastal Zone Management Act of 1972 and its subsequent amendments.

Coastal counties have, and must continue to play, a key role in the management of coastal resources, for it is at the local government level that the most difficult decisions often must be made,

and in local communities where the consequences of decisions affecting natural resources are most immediately felt.

In the past, a number of States have involved county governments in the development of State coastal management programs. Alaska, California, North Carolina, and South Carolina include county and other local officials in the membership of coastal commissions or agencies. I was appointed by my Governor to sit on the North Carolina Coastal Resources Commission as a representative of local government.

Delaware, Illinois, Indiana, Maine, Massachusetts, and Oregon include local officials on statewise advisory bodies. In Minnesota, Michigan, Mississippi, and New Hampshire, county officials participate as members of regional planning bodies.

Experience indicates that while local government participation in State coastal program development is important, acceptance of a local government implementation role is necessary for the ultimate success of State programs.

The Coastal Zone Management Act of 1972 provided three ways for governments to participate in the development of approved State programs. First, local implementation of State-established criteria and standards with State administrative review and enforcement of standards. Local governments prepare and implement comprehensive plans, zoning ordinances, special purpose regulations, and subdivision regulations, subject to State review. This approach is used in Alaska, Maine, Michigan, North Carolina, Oregon, Virginia, Washington, and Wisconsin.

Second, State governments directly plan and regulate land and water uses. This approach has been adopted in California, Delaware, Hawaii, and New Jersey. North Carolina and Maine are using this method for certain areas of particular concern to the State's coastal program—usually large tracts of land.

Third, State administrative review of local development plans, projects, and land and water use regulations. Under this approach, States retain authority to approve or disapprove development and local regulation preceded by a public notice and a hearing. As far as we know, no State has adopted that approach.

But the best and most successful programs must include the active participation of local elected officials. At the very least, this requires the understanding of local elected policymakers to insure acceptance of State actions where they choose to exercise them directly, if cooperation is to be achieved.

This is especially true in urban areas where counties and many cities have sophisticated growth management strategies which seek to guide development to environmentally acceptable locations and to fill in those parts of urban areas surrounded by development.

The coastal zone management program has had a very positive effect in New Hanover County. In instituting the program, the State of North Carolina elected to have many of the decisions about land use made by the 20 coastal counties, through the development of comprehensive land use plans. For many of them, this was their first attempt to consider the resources they had in beaches and wetlands, and how these resources should be developed or protected. For me, it was my entrance into politics—through the citizen participation part of the process.

Our program is a cooperative effort between State and local government in the permitting process. The State issues or denies major development permits in designated areas of environmental concern, and the county handles minor development permits. I might add local cities also have land use plans, and they are involved in this process also. All of the decisions are based on the land use plan cooperatively developed by staff, citizens, and politicians of our county.

As we have implemented the program, both the State coastal resources commission and the advisory commission made up of local officials have found that what we thought were far-reaching and strict rules are simply not enough. We need more technical data. We need to update our land use plans—and we are in that process right now. We need better zoning regulations and other ordinances.

We need more adequate provisions for public access to and use of our barrier islands and sounds. And we particularly need to develop better disaster plans—not only plans for evacuating people and saving property, but also plans for the rebuilding of an area devastated by a hurricane or a coastal storm. We must not repeat the mistakes of the past, but are bound to unless we have our policies and procedures ready ahead of time.

Therefore, it is important that counties and other local governments continue to play a significant role in the implementation of State coastal programs. Congressional support for this is necessary.

Mr. Chairman, I have recited the coastal county experience because I think it speaks directly to what is proposed in S. 2792. At its meeting on February 21, 1982, NACo's Land Use and Growth Management Steering Committee adopted a resolution supporting the concept of the Ocean Resource Management and Development Block Grant Act, which is called H.R. 5543, now pending floor action in the House of Representatives.

The resolution further recommends that the legislation be amended to provide that the fund established for the block grant program be tied to a certain percentage of total Outer Continental Shelf oil and gas leasing, and require States to pass through a portion of block grant funds received to local governments or planning agencies responsible for implementing State plans, consistent with that responsibility.

Although our resolution is directed at H.R. 5543, since that was the only bill under active consideration at that time, I think its contents are equally applicable to S. 2792.

S. 2792 provides for the establishment of an ocean and coastal development impact assistance fund tied to a percentage of both bonus revenues and royalty revenues from lands leased after January 1, 1982. This provision is consistent with NACo policy.

S. 2792 further requires that a State passthrough a minimum of 40 percent of its block grant to local coastal communities, pursuant to a 4-part formula, for coastal development and management activities. This provision is likewise consistent with NACo policy. This provision makes local government funding predictable and flexible to meet diverse local needs.

While we recognize, Mr. Chairman, that Congress is facing tremendous budgetary pressures and needs to exercise fiscal restraint, we must also recognize that State and local governments are equal-

ly hard-pressed to meet their government responsibilities. Given the impact that accelerated oil and gas leasing activity, with a resultant increase in Federal revenues, will have on coastal States and local governments, we believe that S. 2792 is a vital and appropriate Federal response.

It presents an opportunity to create a Federal-State-local government partnership to properly manage, protect, and develop the coastal areas and resources of this Nation and we urge its speedy enactment.

Thank you.

Senator STEVENS. Thank you, Ms. Gottovi.

I think the statement you made reflects the reason we originally had the amendments to the Coastal Zone Management Act that provided assistance for on-shore impacts of off-shore development. Now that has come to an end, unfortunately.

Those amendments to that act came from this committee too, and I am hopeful that this committee will once again find a way to restore funding for the activities that you mentioned and will insist on the passthrough, because I am confident that that too is part of the whole concept of federalism, whether it is new or not. It is still federalism—a passthrough to the States and local communities.

Senator Gorton, do you have any comments?

Senator GORTON. No.

Senator STEVENS. Senator Murkowski.

Senator MURKOWSKI. I just have one question, Mr. Chairman.

I wonder if you feel any sensitivity to the recognition that we are going to have county governments with different capabilities administering funds here. Do you think that they have all the equal vision or foresight to do this without some more direction from government, or do you think that if we rely on the judgment we will probably be as well off as we could expect?

Ms. GOTTOVI. To be realistic, there are differences in the levels of capabilities of various local governments. I can relate to you perhaps best my State experience.

We have 20 coastal counties. The county I represent is perhaps the most urbanized, and we had a 20-percent increase in population in the last 10 years. Our least populated county does not even have a stoplight and yet there is lease activity off their barrier island. They do not have—there is no way that they can have property tax revenues that can support infrastructure to take care of the kind of local impacts that offshore activity is going to have on them.

They do, however, have a county manager and a small planning department and they have prepared land use plans and capital improvement plans. So they have a plan. They know where they need to go. They have just no resources to get there.

In my own county, for instance, we have a State port. One of the two North Carolina State ports is there. We have no four-lane highway leading to our State port. We have no countywide water and sewer system. We have very rudimentary recreation programs in our community. We are working on all of these things. But at the same time, you know, we have had tremendous budget cutbacks in our sources of revenue to fund these things.

Senator MURKOWSKI. But you feel quite comfortable that your county governments in your State could handle a block distribution down to your level?

Ms. GOTTOVI. Yes, sir. We would know exactly what to do with it and have the plans ready.

Senator MURKOWSKI. Thank you.

Senator GORTON [presiding]. Thank you very much, Ms. Gottovi. We will now call Ms. Kaplan of Friends of the Earth.

STATEMENT OF ELIZABETH KAPLAN, LEGISLATIVE DIRECTOR, FRIENDS OF THE EARTH

Ms. KAPLAN. Good morning. I am Liz Kaplan, Legislative Director of Friends of the Earth. I am representing five environmental groups today as well as the Coast Alliance. It includes Friends of the Earth, the Natural Resources Defense Council, Sierra Club, the National Audubon Society, and the Environmental Policy Center.

All of the groups that I represent today strongly endorse the concept of revenue sharing. In 1980, not very long ago, this country celebrated the "Year of the Coast." The Coast Alliance was very active in sponsoring activities all around the country and thousands of people participated in a number of activities to bring attention to the status of our coast—that our coast is extremely threatened, that 70 percent of the people live within 50 miles of the coast, and that the pressures on coastal resources are increasing every day.

In 1980 this committee also passed a strengthened Coastal Zone Management Act in which the States were given further direction and further encouraged to plan for wise protection of their coastal resources as well as development of those resources.

Our concerns today are how revenue sharing, if it is passed—which we certainly hope that it will be—will impact the coast. What we are concerned with is that if a revenue-sharing bill that is too loose is passed, it will have the effect of causing the further destruction of our incredible important coastal resources, rather than protecting those resources.

So there are four principles that we would like to see any revenue-sharing bill contain. One is that it should not be structured as a buyoff of coastal States objections to unwise development. Another is that other important coastal laws, especially the Coastal Zone Management Act and its programs, should be strengthened and not weakened through a revenue-sharing program.

These laws and their programs are the cornerstones of the national interest to protection of coastal resources. Thus, any revenue-sharing program should guarantee that the Federal CZM program be maintained, including funding for the Federal CZM office and maintenance of monitoring and evaluation of the State programs by the Federal Government.

We also believe that only States with approved Federal coastal programs, coastal zone management programs, should be eligible to receive revenue-sharing funds. To date, almost all the States are in the coastal zone management program. We believe that it is very important for every State to develop a management program. There are only a few States that are not in the program and if rev-

enue-sharing funds were limited to States with approved programs, that would be a strong incentive to other States to develop their own programs.

And finally, we believe that a fixed percentage of each State's share of the fund should be earmarked specifically for coastal zone management activities.

In addressing the bills before us today, the organizations I represent endorse Senator Weicker's bill, S. 2794, because we believe that it most closely embodies the principles that are crucial for a successful revenue-sharing bill and the elements of the Weicker bill that we think are particularly important, which we would like to see embodied in any revenue-sharing bill, are the fact that it allows the revenue-sharing money to go only to States with approved coastal programs, that the acceptable uses for the State grants are limited to national resource enhancement, including coastal zone management, sea grant and fisheries conservation, and development.

Finally, the funds would be allocated through the appropriations process. There has been considerable debate, I know, in preparing this bill as to whether revenue-sharing should go through the appropriations process or whether it should be an entitlement program. In our view, it is really most appropriate for it to be an appropriated fund rather than an entitlement program, because that would guarantee that Congress would have regular, annual oversight over the uses of the fund.

Next, we would like to comment on S. 2792, which is the Commerce Committee's bill. S. 2792 is an entitlement program rather than an appropriated fund, which we are concerned about because it goes hand-in-hand with very loose requirements for the uses of those moneys.

The OCS revenues coming in cannot be predicted accurately at this time, but it is very possible that the receipts coming in from the OCS revenue-sharing program are going to increase rapidly in the coming years. In fact, Interior's projections put it at something like $15 billion, really double this year's level, in just a couple of years.

Senator STEVENS. That is only the case if the litigation stops and the States find a way to become partners in the program. That money has been postponed 3 years in a row, whether you know it or not. Those objections have been pushed out each year because of delays of the States involved who are opposing the increased leasing in their zone.

Ms. KAPLAN. I am not quite sure I agree with you on that, Senator, but I respect your views.

So in our judgment 1982 is not an appropriate time to initiate an entitlement program. We think there is a question whether Congress, with all the fiscal concerns that are before them this year, would be willing to enact an entitlement program—a new entitlement program—when they are on the verge of cutting back on any entitlement programs that exist already.

Another concern that we have about S. 2792 is the fact that $4 million is given to each coastal State, regardless of need or any other criterion. We believe that there should be a greater differen-

tial between the amounts given to States with coastal zone programs and States without coastal zone management programs.

If a State ends up getting $30 million or $40 million or even more in a year, we wonder if the additional $2 million would be enough of an incentive for the State to maintain its coastal zone management program.

Another concern is that the formula for dividing up the fund is very heavily weighted toward oil and gas criteria and we believe there is too much emphasis put upon already-produced hydrocarbons instead of planning in frontier areas. Your State, Mr. Chairman, Alaska, has, as you are very well aware, tremendous risks involved because of OCS development that is coming, that has not already arrived.

We think the formula might give more emphasis to planning for future development because States such as Louisiana and Texas already have the infrastructure in place to handle development that has been going on for many years.

Finally, the most serious problem, in our view, is the extreme flexibility that is given to the States in the spending of their moneys. We are concerned that there is not enough incentive for States to maintain a coastal zone management program, that because the allocation formula is so flexible that States may be tempted to spend a very high percentage on development structures and not a significant portion on management and research and essentially mitigation of OCS impacts.

We would much prefer to see this bill target some portion of the funding for research and management programs. One possibility might be that the fund could be limited in the sense that only a certain percentage could be used for capital development and the rest could be used only for management and research activities.

Finally, we raise the question about the 40-percent passthrough because we are aware that the State programs do differ significantly from State to State, and 40 percent might be a perfectly appropriate passthrough for some States, but that others which are more centrally structured would not really be adequately set up to have a passthrough as high as 40 percent.

We believe that really perhaps should be more flexible and should be left to the States discretion.

Thank you.

Senator STEVENS. Well, I understand your position, but it seems to me that you want us to find a way to put tighter strings on coastal States than exist on inland States. Do you realize that?

Ms. KAPLAN. Yes, I do realize that, but I also think that our coast is far more threatened by offshore development than inland States are by onshore development, that the risks are far greater and that management and migitation of those impacts is critical.

Senator STEVENS. Well, we agree with you on that. And that is the whole basis for the bill—that unless the States have the right to make up their mind and are not told by the Federal Government what they must limit their funding to, I do not see that we have solved the problem and removed the roadblocks to the development of the OCS.

How do you remove roadblocks if you put tighter strings on a small amount of revenue sharing for the coastal States? The

upland States get 52.5 percent of all of the receipts from leasing and development on shore. This proposal of mine would provide about 6 percent to the offshore States, and you want to put a greater Federal control on the use of those funds.

I do not see how that encourages the States and the local communities to become partners. They will just look at us and say what are you doing. They say we ought to get 52.5 percent in the beginning.

Onshore States get 52.5 percent. I do not understand why you particularly oppose the passthrough. Why in the world would you oppose the passthrough when it is the local communities that have the major problems dealing with offshore development?

Ms. KAPLAN. Senator, we do not oppose the passthrough. We are just suggesting that it might be more flexible than a straight 40 percent for every State, because the coastal zone programs—which is the main mechanism that many States, the only mechanism they have—

Senator STEVENS. What if a State does not like coastal zone management? What if the legislature says we are not going to pass coastal zone management? We are not going to have a coastal zone plan, but we are going to oppose offshore development until you find some way to help us meet our problems our way.

Do you think that that is going to—incidentally, that is the case in my State, whether you realize it or not—half the coastline of the United States and it's almost an impossibility to get a coastal zone plan that will be approved by the Federal Government. We have a tentative approval on one, but we do not have local government coalescence or agreement to it. The statewide plan is not as difficult as the local plans are.

Ms. KAPLAN. I thought that the problem was with the State legislature, not the Federal Government, on development of those local coastal plans.

Senator STEVENS. To a great extent it is and I think that is so not only in Alaska but elsewhere. The State legislatures feel that they ought to be able to legislate for their State and Congress ought not to do it.

I really think that should we follow your recommendations we would not remove the roadblock to develoment and we will put off again to the future the receipt of the funds that have been denied all States through the Federal Treasury as a result of no development.

California, Alaska, and the other States where there is still OCS potential are unwilling to allow these things to go ahead unless they have some participation in formulating the plans for the OCS development.

Ms. KAPLAN. Well, it seems to me that it is in guaranteeing the continuation of the coastal zone management program that you would help remove those roadblocks, whereas with no strings attached it is not certain that the program would survive.

Senator STEVENS. Well, that is not our goal—to decide whether or not CZM survives. Our goal is to try to bring about the development of the OCS by this bill. That is clearly the goal. We want a partnership in the development of the OCS so it will proceed. CZM stands off to the side.

We are willing to help fund it, but if you want us to mandate that—unless you comply with CZM you do not get any of this money, is that right?

Ms. KAPLAN. That would be the preferred alternative, yes.

Senator STEVENS. I have to tell you I cannot support that alternative because it would not remove the roadblock that is preventing development today either in California, which does support CZM but will not go ahead with this, or my State, which statewide supports it but the local governments will not.

Senator Gorton.

Senator GORTON. I would like to follow up somewhat on what Senator Stevens has been asking and ask why it is that you feel that the people of a given State and their elected representatives are not competent to make these decisions. They are the people most immediately affected by them.

Ms. KAPLAN. Senator, I do not want to give the impression that I believe they are not competent to make these decisions. They are certainly very competent. I think there are enormous pressures on State and local governments when funds are given, no strings attached, to use them for any number of uses.

Senator GORTON. Isn't that what the political process is all about? Aren't those pressures legitimate pressures? Why shouldn't people and their elected representatives—we do, and we are subject to these pressures. Why is it that we can make better decisions about appropriate uses of moneys by States for coastal impacts than the States can themselves?

Ms. KAPLAN. Well, if that were the case——

Senator GORTON. Am I more capable of deciding what New Hampshire needs in its coastal zone management than the people of New Hampshire?

Ms. KAPLAN. I think there is a national interest in coastal zone management and by preserving the coastal zone management program you maintain an important national interest in that, an important congressional oversight in that.

Coastal zone management is very flexible. There are broad uses that it can be used for at the State level. It has not tied the States' hands inordinately, but it does give direction to use funds for management rather than just development.

Senator GORTON. You make in your proposal here and for all practical purposes an absolute priority for natural resource enhancement as opposed to the necessary infrastructure of local communities impacted by OCS. Why is the development of that infrastructure in the case of development not an appropriate use for these funds as well?

Perhaps there is a greater impact on the coastal communities themselves.

Ms. KAPLAN. Development of infrastructure is important. Without a coastal zone management plan or program, we worry whether the development of an infrastructure will be done in the least environmentally damaging way. It should be part and parcel of a whole plan, it seems to me, to be sure that it happens in an environmentally sound way.

Senator GORTON. Well, again you are saying that neither the States nor the local communities will be sensitive to environmental

impacts which obviously have a far greater impact on them, on people who live there, than they do on anyone else in the other part of the country.

Ms. KAPLAN. I do not think I am saying that, Senator. What I am saying is that what they need to have guaranteed is a national interest maintained in the coast and that the coastal zone management structure will be guaranteed to be there through which they can plan for infrastructure and mitigation.

Senator GORTON. You mean if they have a plan, then it will be OK to use the money for energy infrastructure as opposed to national resources?

Ms. KAPLAN. Some portion of it.

Senator GORTON. Under those circumstances, shouldn't they be allowed to use all of it for that if that is what they consider the most important impact, assuming they have an approved plan?

Ms. KAPLAN. I think there are many national programs that are in serious jeopardy which—what you are saying is that all of the money would be funneled to one narrow interest, which would be infrastructure.

Senator GORTON. No. I am just saying that the State could make that decision itself. I doubt that any, except for a very few, would. But you have objected, for example, it seems to me to be inconsistent for you to object to a mandatory 40 percent passthrough to the local government on the grounds that some States are much more centrally—have a much more central planning system and less flexibility to the local government.

I think that is a pretty good objection, as a matter of fact, because States do differ in the degree to which they have delegated these responsibilities to local government. But logically under those circumstances if we are not to have a mandatory passthrough to local government, we should have the absolute maximum degree of flexibility for States to do what they wish, it seems to me.

You are applying a different rule to the States than you are willing to apply to local governments, are you not?

Ms. KAPLAN. Well, I guess you would say that, yes. It is a different rule, but there are two different principles involved. I mean, the question boils down to what risks are involved if there is no guarantee for maintenance of the national planning mechanism of the Coastal Zone Management Act. And in our view, it would be crucial that we guarantee that that national interest be maintained through the coastal zone management program.

Senator STEVENS. Pardon me. Senator Pell, did you have any questions?

Senator PELL. No questions. I just wanted to come in and get the flavor of the meeting and study the testimony.

Senator STEVENS. We are delighted that you came. I do thank you.

Senator GORTON. I have completed my questions, Mr. Chairman.

Senator PELL. I have no questions. I just wanted to get a flavor for the hearing.

Senator STEVENS. I apologize for interrupting. I just wanted to recognize that Senator Pell was here, and we are grateful to him for coming.

Senator PELL. Thank you. I am proud to be a member of NOPS.

Senator STEVENS. Senator Murkowski.

Senator MURKOWSKI. You made reference to a concern with regard to OCS activities off Alaska and I think you also inferred that Alaska lacked some of the infrastructure that was in place in, say, a State like Louisiana, which has done a lot of offshore activity.

I would remind you that the two major sales in exploration that did occur in the Gulf of Alaska off Seward and off Yakutat, of course it did turn out that there was no oil, so the whole thing became academic. Nor has there been any major or even minor accident associated with OCS drilling off Alaska, yet in areas in the Louisiana coast where there is, as you say, an existing infrastructure, there have been accidents.

So my point is that while we do have significant unknowns, they are reasonably well measured and the techniques and technology applied in Alaska is probably even greater because these risks are known and taken into consideration. I would venture to say that the industry's performance to date has been outstanding.

Thank you.

Senator STEVENS. Thank you very much.

[The statement follows:]

STATEMENT OF ELIZABETH KAPLAN ON BEHALF OF THE COAST ALLIANCE, FRIENDS OF THE EARTH, THE NATURAL RESOURCES DEFENSE COUNCIL, SIERRA CLUB, NATIONAL AUDUBON SOCIETY, AND ENVIRONMENTAL POLICY CENTER

The growing national interest in using some portion of the revenues from our Outer Continental Shelf energy program a grants to the states is a welcome development. "Revenue sharing" presents a unique opportunity to sustain the faltering federal interest in the wise management of our coastal resources. The Coast Alliance [1] supports passage of a revenue sharing measure by the Congress, but only if it contains certain key principles vital to the preservation of our coastal environments.

The Coast Alliance and groups I represent today are deeply concerned about the Reagan Administration's virtual abandonment of more than a decade of national interest in safeguarding our marine and coastal environments. In calling for the elimination of the Coastal Zone Management program and the Coastal Energy Impact Program at the same we are embarking upon the ambitious offshore energy development program in history, the Reagan Administration has signaled its indifference to the environmental effects of massive OCS development in every part of our coast. The need for effective mitigation of OCS impacts in the coastal zone is greater than ever before. It is unrealistic to expect the states to be able to pick up the costs of the programs being dropped by the federal government, and it will be impossible in many states for local and state governments to fund adequately the necessary planning and mitigation of the accelerated OCS program that is fast approaching.

Thus, an OCS based revenue sharing fund could not be more timely. A straight block grant approach, however, would not guarantee that the impacts of the five-year OCS program are appropriately mitigated. In fact, a straight block grant approach would in all likelihood spur unwise development in already seriously threatened coastal areas. While we support a carefully directed revenue sharing program, we would vigorously oppose any plan that becomes a vehicle for no-strings attached grants to the states. Any revenue sharing program should be based on the following principles:

Revenue sharing should not be structured as a buy-off of coastal states' objections to unwise OCS development;

Other important coastal laws such as the Coastal Zone Management Act and the OCS Land Act Amendments should be strengthened, not weakened through a reve-

[1] The Coast Alliance is a nonprofit organization of representatives of the environmental, scientific, fishing and labor communities dedicated to promoting the preservation and wise management of our coastal resources.

nue sharing program. These laws and their programs are the cornerstone of the national interest in protection of coastal resources. Thus, any revenue sharing program should guarantee that the federal CZM program be maintained, including funding for the federal CZM office and maintenance of the monitoring and evaluation of state programs by the federal government.

Only states with approved coastal programs should be eligible to receive revenue sharing funds, to guarantee that the money is channeled into protective rather than destructive uses of the coast.

A fixed percentage of each state's share of the fund should be earmarked for CZM activities.

These principles can be summed up in the basic premise that revenue sharing to the states should be primarily targeted toward protection and enhancement of renewable resources. The national interest in protection of our coasts is faltering. Revenue sharing provides the opportunity to reaffirm our federal coastal policy by putting our revenue sharing dollars into the programs that give meaning to it. Coastal Zone Management, Sea Grant, Coastal Energy Impact funds, and other fisheries and habitat programs of the federal government are all in serious jeopardy. A revenue sharing program that does not direct funds specifically to these programs is not in the national interest.

There is no doubt that states will be seriously tempted to seek the flexibility of straight block grants considering the desperate financial situation many of them are in. But faced with a massive OCS development program, the states need these federal coastal programs as never before. We urge this committee to put the national interest in safeguarding the beaches, estuaries, wetlands and fish and wildlife of the coast first by funding the programs that protect them.

The Senate bill that most closely adheres to the principles expressed above is S. 2794, the Marine Resource Management and Research Act introduced by Senator Lowell Weicker. The key element of the Weicker bill, which we believe are essential to any successful revenue sharing bill, are the following:

1. No coastal state may receive a grant unless it has an approved Coastal Zone Management program. This restriction will be a strong incentive to states to develop programs if they have not already. Only a few states would be hurt by this requirement.

2. Acceptable uses for the state grants are limited to natural resource enhancement, including CZM, Sea Grant, and fisheries conservation and development including both management and research. We would like to see this portion of the funds allocated to coastal as well as marine conservation programs, however.

3. The funds will be allocated through the appropriations process. It is important that a revenue sharing program be submitted to the appropriations process to give the Congress the flexibility needed in administering these funds. If the income from the OCS program increases dramatically in a few years, which may very well be the case, Congressional authority over the funding level would be important control mechanism to guarantee appropriate use of the funds.

We will not comment on Section Six of the Weicker bill at this time as it is not directly related to OCS revenue sharing. We share the Senator's concern, however, over the poor management of migratory fish species that cross several states' jurisdictions, and we encourage federal intervention to bring states together on this problem.

The Commerce Committee's bill, S. 2792, presents a different approach to revenue sharing, one which has several problems in our view. First, S. 2792 creates an entitlement program rather than an appropriated fund. This approach would not be so dangerous if the uses of the fund were very tightly delineated. But an entitlement program that gives states the broad discretion in acceptable uses of the fund that this bill does could end up being another large slush fund for development projects. Nineteen eighty-two is not the right time to be initiating new large development funds. We are doubtful that the Congress would enact such a program this year, for it raises serious questions about Congress's fiscal responsibility at a time when our deficit is soaring. Furthermore, there is no ceiling on the fund. If OCS revenues increase at anything close to the rate the Administration has projected, this fund could approach $1 billion in a few years.

A related problem is that S. 2792 gives $4 million to each coastal state regardless of need or any other criteria. While we approve of giving an advantage to states with approved CZM programs, a straight grant to each state of $4 million is difficult to justify. There should be a larger differential between states with approved CZM programs and those without, so that states without CZM programs will have a strong incentive to develop one.

The formula for dividing up the remainder of the fund has some serious problems. It is too heavily weighten toward oil and gas criteria, and there is too much emphasis put upon already produced hydrocarbons instead of planning in frontier areas. While we are pleased to see the incentive of an additional 40 percent given to states with CZM programs, we strongly oppose the straight grant of $4 million to every state without a CZM program requirement.

The most serious problem, however, is in Section six. While states are encouraged to spend their grants among a number of required categories. Thus, a state could spend virtually its entire allotment on "capital infrastructure" related to energy development activities. This could include power plants, LNG terminals, and other heavy development but energy related activities. It could include port development related to tankering of off-shore oil and gas. Furthermore, the block grants are not limited to the five categories, but can be used for any other "coastal development and management activities," since the uses are not limited to the five categories recommended. This is the most serious flaw in the bill. Section Six provides a large loophole, which essentially gives the states enormous flexibility in the uses of the fund. It is true that states are encouraged to maintain or develop CZM programs through a small additional incentive, but this bill does not guarantee continued funding for any of the programs that embody our national concern about coastal resources. We fear that the message this bill will send to the country is that the federal programs Congress intended as expressions of federal coastal policy are expendable.

It would be a serious mistake to allow an OCS revenue sharing program to become a coastal development program. We do not need more federal subsidies for development projects. We do need much more effective mitigation of energy related development as well as careful planning in the siting of energy related infrastructure. With such a loosely structured set of requirements as appear in S. 2792, the states will be very vulnerable to pressures for development uses. We urge the Committee to reshape Section Six to provide earmarking of funds for specific natural resource management programs.

Finally, we question the advisability of making a 40 percent pass-through requirement to local communities. Sharing of the funds with local governments is very important, but we question whether a straight percentage figure is workable in all states. State programs vary widely. Some are highly centralized, and local governments do not have the structure or capacity to use the pass through effectively. Other programs are decentralized, and it might be appropriate to pass through more than 40 percent of the funds. We suggest that the pass through be discretionary.

Senator STEVENS. We now come to the State panel. Mr. Cowles, representing the State of Alaska; Mr. Campbell, representing the State of South Carolina—Senator Hollings did come in and wished to introduce you, Mr. Campbell; I am sorry that he has a conflict—Mr. Giffen, representing the State of Maine; and Ms. Greene, representing the State of California.

Now I have to state to this panel—and, Mr. Campbell, specific apologies for Senator Hollings. He is already at a budget conference. Senator Gorton has to be chairman of one section of the budget conference at 11:30. I have to be chairman of another section of a budget conference at 11:30. I do not know if my colleague can stay to finish this or whether you want to have that situation, whether we should reschedule this hearing.

I am going to try to be accommodating to your wishes, because Senator Gorton and I can stay about another 10 minutes and that is it. We have to be at that meeting. Each one of us are involved in the budget process. Can you stay if they wish to stay?

Senator MURKOWSKI. Yes.

Senator STEVENS. If you wish to continue the panel and make the record today, Senator Murkowski will stay. If you wish to start the panel and we will wind it up about 25 after, we will continue the hearing at a later date and we will hopefully have more Senators here. But we have to leave it to you, to your decision.

So could you confer for a minute or two and give us your answer? It is an unfortunate time to have a hearing because of the budget process. We had no way of knowing in advance that today would be the day that we start this.

Mr. CAMPBELL. Mr. Chairman, I think we have decided that we will be brief and go forward for the next 10 minutes.

Senator STEVENS. Thank you, sir. I leave it to you gentlemen and lady as to how you wish to use that 10 minutes. You can continue on beyond the 10 minutes with my colleagues. I do not want you to feel compressed by that time, though we do have to leave and I apologize.

My problem before I came this morning was trying to deal with this conference, and now we have to go to it.

STATEMENTS OF C. DEMING COWLES, STATE-FEDERAL RELATIONS, ALASKA GOVERNOR'S OFFICE, STATE OF ALASKA; WILLIAM M. CAMPBELL, SOUTH CAROLINA STATE HOUSE OF REPRESENTATIVES; ALEC GIFFEN, OFFICE OF THE GOVERNOR, STATE OF MAINE; AND DENI GREENE, OFFICE OF THE GOVERNOR, STATE OF CALIFORNIA

Mr. COWLES. Mr. Chairman, Senator Murkowski and Senator Gorton, I am Dem Cowles, the director of State-Federal Relations for the State of Alaska. With me today is Bill Ross, who has worked considerably on this piece of legislation for the State.

We have submitted for the record a statement which I would be happy to answer any questions on. I would like to summarize very briefly the State's position, which is in support of S. 2792, for a number of reasons.

We think that you have recognized the considerable problems that States that are either currently have production or will under the proposed 5-year schedule have leasing over the next 5 years of what amounts to the entire coastline of the United States.

As you know, Senator Stevens and Murkowski, 55 percent of those leases are scheduled for Alaska, which poses some concerns to us. But I think that the legislation that you have crafted significantly takes into account the problems that States such as Alaska and other States that are frontier areas do have and will have in terms of planning, in terms of management and resources—not only the OCS resources but other resources that are so important to us, such as the fisheries—as well as capital infrastructure which will be necessary because of the impacts that we will have.

So I would like to emphasize Alaska's support for OCS revenue sharing as embodied in your legislation and to urge the Congress to continue its efforts to construct a workable program. Congress has used a balanced approach on previous occasions when confronted with the varied and often conflicting resource issues represented by the OCS.

While not causing these conflicts to vanish, revenue sharing can contribute significantly to minimizing or mitigating conflicts to avoid substantial obstruction to energy development or in unwise risks to renewable resources. It can enable States to be responsible partners in OCS decisionmaking as envisioned by the Congress and

as embodied in the new concepts of New Federalism or old federalism.

It can insure that the tasks of coastal and ocean-related education, research and management can be continued and can facilitate States' anticipation of and preparation for the human needs generated by large-scale development on the OCS and the coast.

Passage of a bill such as S. 2792 will be a great step forward in implementing the longstanding policy of this Nation regarding ocean and coastal resources to use and to conserve, to develop and to protect as balanced resource management and social and economic needs would direct.

I would be glad to answer any questions.

[The statement follows:]

STATEMENT OF C. DEMING COWLES, DIRECTOR, STATE/FEDERAL RELATIONS, STATE OF ALASKA

Mr. Chairman, members of the committee, honored guests, my name is Deming Cowles. I am the Director of State/Federal Relations for Governor Hammond of Alaska. Governor Hammond regrets that he is unable to testify before you today, and I appreciate this opportunity to present these remarks to you on his behalf.

As you know, proposed legislation regarding Outer Continental Shelf (OCS) revenue sharing has generated great interest among affected parties, particularly States, and I would like to identify the principles which the State of Alaska believes should guide the establishment of an equitable and successful OCS revenue-sharing proposal.

1. We believe that a stable, predictable source of revenues should be available to States. This would enable States to plan for and manage reliably the impacts associated with OCS and other major coastal development, and will encourage States to initiate the phased funding of capital improvements projects needed for orderly and timely development.

2. We believe that OCS revenue sharing should solidify the partnership between States and the Federal Government which prudent OCS development is to represent. Shared revenues should be judiciously applied by States to pressing OCS oil and gas needs and issues, especially focusing on their interrelationship with other important resources and their impact on existing socioeconomic and cultural conditions. In this way, decisions on the OCS can be made by both the State and the Federal Government with adequate information and informed citizen input. Such decisions can only be enhanced if adequate fiscal capacity also exists to anticipate and address the impacts from any actual development which may occur.

3. To insure the successful participation of States in this State/Federal partnership, the legislation should continue to recognize and support the States' assumption of responsibilities for much of the research, education, and management surrounding vital ocean and coastal resources. This recognition should influence the financial allocation available to any one State, and should orient the selection of eligible activities for funding by States. Such a programmatic design would also continue the long-standing policy of Congress that oil and gas activity is not the sole national interest activity occurring in the OCS, and that coherent and integrated research and management, accomplished in part by States, of all ocean and coastal resources results in balanced resource development that is in the national interest.

4. We also believe that any OCS revenue sharing proposal should reflect equity with respect to other existing Federal resource revenue sharing programs. Legislation such as the Mineral Leasing Act, the Taylor Grazing Act, the National Forest Receipts Fund, and PILT provides a portion of Federal revenues derived from activities on Federal lands to States to compensate for impacts from that development. Such a principle is reasonable with respect to the goals of OCS revenue sharing as well. Although OCS activities technically occur outside of a State's "boundaries", there are inevitable onshore impacts, and sharing a modest proportion of OCS revenues to enable States to address these impacts is equitable.

In short, we think that OCS revenue sharing should be considered in the context of overall congressional policy to develop the OCS as an oil and gas energy source, taking into full account the other vital national resources of the OCS. In doing so, OCS revenue sharing will enable States to participate appropriately in OCS decisionmaking; to provide research and competent management of coastal resources;

and to absorb and mitigate adequately the impacts resulting from federally initiated development.

When considering the effect of OCS revenue sharing on State such as Alaska, three items should be remembered: Alaska's support of and contribution to domestic energy production, Alaska's productive renewable resources, and the impact of the Department of the Interior's proposed 5-year oil and gas lease sale schedule.

ENERGY CONTRIBUTION

Alaska has always actively encouraged sound energy development and sought ways to contribute its share to a wise and balanced national energy program. Everyone is familiar with the Prudhoe Bay field and the TransAlaskan Pipeline System. Additionally, and most pertinently, Alaska has always supported OCS oil and gas leasing, although we have had concerns over the premature leasing of specific areas. The State has also vigorously supported Federal onshore oil and gas leasing. The State has also developed its own 5-year leasing schedule. The State is also active in the development of other energy sources, such as coal, hydro, tidal wind and geothermal power, all of which will be for export or will help reduce our country's reliance on oil.

RENEWABLE RESOURCES

Alaska's waters also contain some of the world's most important fisheries resources, resources which contribute significantly to the international need for protein. Alaska is also the site of the migratory paths and breeding grounds for spectacular numbers of marine mammals, waterfowl and shorebirds. These resources, too, assume international importance. Of equal importance to us as Alaskans is that many of Alaska's coastal residents are as dependent upon the sea for their entire livelihood and subsistence as any people in the world.

5-YEAR OCS SCHEDULE

Coastal States are going to experience considerable impact from the recently adopted Federal 5-year OCS oil and gas leasing schedule, in which virtually all of the Nation's coastline will be considered for leasing. Over 55 percent of the acreage to be considered for leasing is off Alaska's coast. Sixteen of the 42 proposed sales will be off Alaska. Seven frontier areas are scheduled to be entered for the first time over the next 5 years. In many of these areas, the industry faces formidable environment obstacles. Prior to and during oil exploration operations, the need for careful research, planning and managing of associated impacts will be great. The need for capital infrastructure development will be awesome, especially if commercially recoverable deposits of oil and gas are discovered. In many of these areas, there is little, if anything, resembling the infrastructure of such support facilities as roads, ports, housing, that will be needed. Our coastal village and communities may face such rapid and immense change that their very social fabric may be altered.

Thus, it is in the context of Alaska's current and planned energy-related activity (both Federal and State), the value of and risk to our other renewable resources and our existing socio-cultural conditions, and the impact of the OCS leasing program that we evaluate the need for and merit of OCS revenue sharing. We anticipate that Alaska will be able to continue its fabulous productivity in marine and coastal renewable resources, and its bountiful contribution to the national energy supply for a long time to come. However, this is not a goal that is without some risks, or that can be achieved without any costs. The question of OCS revenue sharing comes down to a question of sharing the costs to address the risks so that we can meet this goal.

The concerns associated with OCS activity in Alaska range from the largely known to the largely unknown. The primary concerns are the threat of oil spills to our renewable coastal resources and the capacity of our local areas to absorb the development impact. Our prudent course on OCS development is shaped by both the knowledge and the lack of knowledge in these areas. There are great gaps in the knowledge of ice forces, particularly in the multiyear pack ice, geophysical hazards, wind and water circulation patterns, and noise and activity disturbances on marine productivity. Concrete answers to these questions may very well show that our current reasonable fears are unfounded, and allow leasing to proceed with our full support. Research may also provide us with concrete mitigating conditions which can help shape oil and gas development without unduly risking other resources or postponing leasing. Such research may also confirm that oil and gas activity is indeed not worth the risk and should not be pursued in a given area. To fill these gaps will

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take time and will cost money. Ensuring local preparedness and community readiness will also take time and money. Completing proper planning and initiating appropriate governmental mechanisms for these vast rural coastal areas of Alaska is a complex challenge.

Cost sharing through OCS revenue sharing to address these risks would acknowledge that these costs should be national costs, since the benefit of the continued use of all of Alaska's OCS resources is a national benefit. The oil and gas reserves of the OCS—a national resource—should be explored. OCS revenue-sharing, which pays for adequate State participation in research, management, and impact mitigation, can help share nationally the financial cost of reducing potential associated risk. It will ensure that the State's share of the tasks necessary to reduce the risk to an acceptable level can indeed be accomplished.

Historically, Congress has recognized the fact that States should have a key role in providing the framework for sound coastal and ocean development. As Congress has clearly understood, the benefits from this role are national in scope, the resources at stake are national in importance, yet the risks are often concentrated in the local areas. Now, in light of the OCS leasing program, the costs of maintaining and solidifying the State's participation should also be absorbed nationally.

Keeping these remarks and the general principles I enunciated earlier in mind, I would make these further brief remarks regarding the two legislative proposals now before you. Yearly budget appropriations by the Congress may not provide the long-range certainty necessary to allow States to plan their expenditure of these funds as wisely as possible. Use of a set percentage of actual OCS oil and gas receipts will allow States to anticipate future revenues and to prepare their fiscal plans accordingly.

All coastal States, including the Great Lakes and Trust Territories, should be eligible recipients. If so, the purposes of the Fund will then be addressed comprehensively and coherently nationwide. An adequate up-front minimum should be established for each State for the same reason.

Alaska favors the formula block grant approach to determine each State's share. We believe that a distribution formula can be established which accurately correlates impacts anticipated and dollars received. Any one State's share should recognize the impacts from and contributions to OCS oil and gas activity, and a State which participates in national interest resource management programs, such as coastal zone management, should receive a commensurately greater share. The block grant approach also appears to maximize state flexibility in setting regional and local priorities while insuring that national goals are addressed. Federal oversight, through both the filing of a pregrant report and a postgrant audit, should be sufficient to orient State priority setting and funding decisions in light of national goals. The notion of establishing parameters for eligible activities, while leaving discretion to States for selecting specific projects is consistent with the spirit of the New Federalism, and recognizes the appropriate decisionmaking in these areas which has historically been delegated to States. It seems proper to require that a part of any State's share be passed through to affected local communities. Retaining State passthrough of these funds will also serve the need for overall coordination of the expenditure of the entire State share. Given Alaska's historical pattern of using much of the State's budget for the direct benefit of local communities, I feel confident in assuring you that the vast majority of Alaska's share of these funds will be used directly by or for affected local communities.

In conclusion, I want to emphasize Alaska's support for OCS revenue sharing as embodied in S. 2792 and to urge the Congress to continue its efforts to construct a workable program. As you do this, we would encourage you to recall the balanced approach which the Congress has used on previous occasions when confronted with the varied and often conflicting resource issues represented by the OCS. Revenue sharing will not make those conflicts disappear, but it can go quite far in making certain that those conflicts do not result in obstructed energy development or in unwise risks to renewable resources. It can enable States to be responsible partners in OCS decisionmaking, as envisioned by the Congress. It can insure that the tasks of coastal- and ocean-related education, research and management which States have accomplished in the past and which are vital to sound resource development can be continued. And it can facilitate States' anticipation of and preparation for the human needs generated by large-scale development on the OCS and the coast. We believe that passage of a bill such as S. 2792 will be a great step forward in implementing the longstanding policy of this Nation regarding ocean and coastal resources: to use and to conserve; to develop and to protect, as balanced resource management and social and economic needs would direct.

I thank you for your attention, and I am available to answer any questions you might have at this time.

Senator STEVENS. We don't have any questions. We have 55 percent of the land but we are not seeking 55 percent of the money, so I hope everyone gets that point.

Mr. COWLES. That is exactly right.

Senator GORTON. You wouldn't rather have it by population?

Senator STEVENS. We would take it by coastline. If we take it by the amount of OCS, we have 70 percent.

Mr. Giffen.

Mr. GIFFEN. I am Alec Giffen, representing Gov. Joseph Brennan in his capacity as chairman of the New England Governors Conference. I have got a written statement as well, which I will leave for the record.

Just very briefly, the New England Governors strongly support OCS receipt sharing and urge your prompt action on a bill. Time is running out for a number of valuable programs at the State level, coastal zone management, fisheries, sea grant, and we feel it would be best if a bill could be passed this session. We feel that such legislation to share OCS receipts with the States is needed to maintain these programs and to maintain a Federal-State partnership in the management of offshore resources, and I would say that if you don't think a partnership exists now, if funds are eliminated I think you will find what the absence of any partnership is like.

I think that you will find, if you talk with State people, that the persons who work on OCS leasing are indeed by and large supported with coastal zone management, CEIP and OCS participation grants, and without those people being available, it is really going to result in chaos at the State level to respond to Federal leasing action.

So there is something of a partnership that exists now. If you do away with the funds, I would say you would see nothing but further delay. We feel that this legislation is also fair. It has already been mentioned that inland States receive a large portion of the receipts from mineral leasing. We feel that coastal States deserve equitable treatment.

Also I would point out that CEIP is being eliminated. Back a few years ago it was thought that the coastal energy impact program would provide funds to mitigate these energy impacts. Now those are being proposed to be withdrawn, so we feel that it is only fair that some other mechanism be established.

As to the specific bills, we see merits in aspects on both Senate bills that are here before you. We particularly like the emphasis on fisheries in Senator Weicker's bill. We also like the predictability and the guarantee of funds provided by your bill, Senator Stevens. We recognize that there are differences between the approaches in the Senate bills and in the House. We feel that timing is of the upmost importance and urge you to develop a bill which combines the best aspects of all the proposals before you and pass it this session.

[The statement follows:]

STATEMENT OF R. ALEC GIFFEN REPRESENTING MAINE GOV. JOSEPH E. BRENNAN ON BEHALF OF THE NEW ENGLAND GOVERNOR'S CONFERENCE

Good morning. I am Alec Giffen representing Governor Joseph E. Brennan of Maine in his capactiy as Chairman of the New England Governors' Conference.

New England's governors urge the Senate to act promptly to enact legislation sharing receipts from Outer Continental Shelf (OCS) oil and gas leasing with coastal states. Time is running out for serveral important coastal management programs which serve the national interest. These include the Coastal Zone Management, Sea Grant, and fisheries research and management programs. States need a portion of OCS receipts to keep these valuable programs alive. Time is of the essence. We urge you and your colleagues in the House of Representatives to work together to pass OCS receipts sharing legislation this session.

Beyond the need to maintain these important programs, such funding is also necessary to maintain an effective state-federal partnership in ocean and coastal management. Experience has shown that such a partnership is essential if we are to effectively mange resources which lie in both state and federal jurisdictions. A partnership is also necessary if we are to avoid wasting valuable time and money resolving conflicts over the use of our coastal and off-shore resources. For example, without the partnership which exists today between coastal states and federal agencies, oil and gas lease sales would undoubtedly be hamstrung by further delays and legal disputes.

Additonally, we believe that such a receipts sharing policy is only fair. It is fair because inland states already receive 50 percent of the receipts from mining on federal lands while coastal states receive nothing directly from OCS leases. It is fair because the Coastal Energy Impact Program (CEIP), which we were told would meet our need for funds to mitigate the effects of energy developments on coastal states, is going to be eliminated. Finally, it is fair because the federal government should compensate states for the subtantial burdens its accelerated OCS leasing program creates for coastal states.

Our existing coastal program funds are running out. We urge you to act quickly and deal fairly with the coastal states. The nation, not just the states, has much to lose if Congress fails to pass receipts sharing legislation this year. Let me elaborate on these main points.

STATES NEED OCS FUNDS TO PRESERVE VITAL PROGRAMS

In Maine, our coast is extraordinarily important to us. Though it constitues but 12 percent of our land area, nearly half of Maine's population lives on the coast. Maine's $100 million a year coastal commerical fishing industry is one of the State's major economic bulwarks. In 1980, it supplied the nation with 244 million pounds of fish products. Our CZM and fisheries programs help to protect and enhance this vital resource.

In recent years, we have made tremendous progress through our CZM program in sensitively developing Maine's coastal resources in ways which protect environmental quality. In the last several years Maine voters approved bond issues totalling millions of dollars based on proposals from Maine's CZM program. These funds are destined to build seven public fish piers and to construct a cargo port in Searsport.

An estimated 5 million people from all over the nation and the world visit Maine's coast each year. Our tourist industry employs 20,000 Mainers, generating payrolls surpassing $170 million annually. Our CZM program has helped protect this trade by reducing pollution and developing strategies to protect our most significant natural and recreational coastal resources.

Maine needs OCS receipts sharing to maintain our coastal program and continue our efforts to achieve a balance between conservation and the wise development of our coastal resources. I believe Maine's needs are indicative of the needs of other coastal states. All New England states and the nation as a whole, for example, have a vested interest in the wise use of Georges Bank—source for 17 percent of the world's food fish.

OCS RECEIPTS SHARING WILL PRESERVE THE FEDERAL-STATE PARTNERSHIP

America can ill afford destruction of the federal-state partnership built up in recent years to develop and protect our ocean and coastal resources. But the perpetuation of the inequitable federal policies governing the sharing of revenues from off-shore oil and gas lease sales, abandonment of federal support for coastal management programs, and the tremendous additional burden placed on states by the Department of Interior's accelerated off-shore leasing program combine to endanger

the by and large cooperative climate which has existed between the States and the federal government. The New England Governors have identified OCS receipts sharing as a cornerstone of a new federal-state relationship to preserve this partnership in the age of "New Federalism."

Because the New England Governors believe that the development of this nation's off-shore resources must be cooperative, not contentious, venture between the federal government and coastal states, we are concerned about the effects reduced federal funding for state coastal programs will have upon the leasing process.

Both the OCS Lands Act as amended and the Coastal Zone Management Act support the argument that federal-state cooperation is a vital element of the OCS leasing process. A recent report presented by the Department of the Interior to the OCS Coordinating Committee of the President's Cabinet Council on Natural Resources estimated that the cost of delay in OCS leasing amounts to approximately $1 billion per year. The partnership contained in the OCS Lands Act and in State Coastal Zone Management Programs is the only conflict resolution mechanism which can sort out the numerous controversial disputes surrounding OCS leasing.

While state CZM programs cannot eliminate all delays and prevent every potential lease sale lawsuit, the evidence supports a strong link between CZM programs and expedited OCS leasing. An unprecedented level of leasing took place in 1981. States made numerous CZM federal consistency reviews and certifications during that period. Although some specific tracts were the subject of litigation, the vast majority were not.

Despite the criticisms which have been expressed, review of OCS activities under the federal consistency provisions of the Coastal Zone Management Act works well. In 1981, Maine reviewed almost two dozen exploration plans for the Georges Bank area. As a result of the close cooperation between federal and state agencies, oil companies have begun drilling under what are widely acknowledged to be a strict set of environmental safeguards, essential to protect New England's vital interests in Georges Bank's abundant fisheries. The joint actions of federal and state agencies assured that a consensus was reached so that delays were not caused by challenges to the federal permits.

Statements to the contrary notwithstanding, the fact remains that the permitting process did not delay the oil companies in drilling on Georges Bank. When rigs became available, the permitting process had already ended, and the companies began drilling. Cooperation made this possible, but without the funding OCS receipts sharing offers to support state involvement in the leasing process, the state-federal partnership engendering that cooperation will wither and die.

OCS RECEIPTS SHARING IS FAIR

The New England Governors firmly believe that coastal states affected by OCS development merit fair financial considerations commensurate with those allotted to states where on-shore federal lands are leased for mining and oil and gas drilling. The Federal Lands Policy Act of 1976 and virtually every other federal law pertaining to the use of federal lands for such purposes recognizes a shared federal-state responsibility to bear the associated effects of the leasing of federal lands. Further, they recognize the state's right to share in the financial rewards resulting from these activities.

Under the Mineral Leasing Act of 1920, for example, states receive 50 percent of the leasing receipts directly. An additional 40 percent go to the Reclamation Fund for western water projects, and only 10 percent actually reach the federal treasury. Under the Department of Interior's accelerated on-shore leasing program, states received a record $271 million in mineral leasing receipts during the first 6 months of Fiscal Year 1982. New Mexico, Wyoming, and Colorado received $79.4 million, $84.2 million, and $25.2 million, respectively, under this policy. The total receipts shared with states by the federal government for onshore leasing programs are expected to approach $1 billion during fiscal year 1982.

In contrast, coastal states did not receive a dime in direct payments from the nearly $10 billion in federal OCS revenues received in fiscal year 1981.

We urge you also to be fair in redressing the effects of eliminating the CEIP program which was to provide funds to mitigate the impacts of energy development on coastal states' resources. The OCS receipts sharing concept has surfaced in Congress several times in recent years. In 1978, the House version of the OCS Lands Act amendments contained a provision to finance the Coastal Energy Impact Program (CEIP) with OCS receipts. When House and Senate conferees raised the CEIP funding authorization from $50 million to $130 million in lieu of OCS receipts sharing, the managers of the bill noted that Congress would continue to provide adequate

funding for CEIP as an alternative to OCS receipts sharing. It was not until OMB "zeroed out" the nation's coastal program's budget, effectively reneging on that pledge, that OCS receipts sharing reappeared as the most viable funding alternative to maintain state coastal programs.

The Department of Interior's accelerated off-shore leasing program has exacerbated this situation. This action will deluge the states with administrative responsibilities and the potential effects of this expanded development raise concerns about our other coastal resources.

A recent Department of Interior report (U.S. Geological Survey Open File report 82-21, May 1982) contains a statement supporting our arguments and the fairness of financing state coastal programs through OCS receipts sharing: "While OCS activities are not occurring within states' boundaries, the on-shore effects are. Revenue sharing through a block grant system would assist coastal states in dealing with these on-shore effects, and it would help maintain technical staffs in financially stressed coastal programs."

S. 2792 AND S. 2794

As to th two specific legislative proposals (S. 2792 and S. 2794) currently under consideration by the Senate, the New England Governors see merit in aspects of both bills. Because of our maritime interests, we applaud the emphasis of fisheries represented by Senator WEICKER's proposal (S. 2794). The guarantee of $6 million for states with approved coastal programs and the predictable procedure for allocating funds contained in Senator STEVENS' bill (S. 2792) seem to us a most desirable course to follow in establishing a federal OCS receipts sharing system.

The New England Governors have also presented testimony in the House of Representatives in support of the Merchant Marine and Fisheries Committee's OCS receipts sharing bill (H.R. 5543). While we recognize that differences exist among these several bills, we also feel that the timing of this legislation is of the utmost importance if we are to maintain the continuity of valuable coastal programs. Therefore, we urge you to work with your colleague in the House to craft a bill which combines the best aspects of each proposal and pass it this session. Our states and the nation cannot afford the cost of delay.

CONCLUSION

We think that OCS receipts sharing makes sense. More important, states, need these revenues to preserve vital programs. The nation needs OCS receipts sharing to preserve the federal-state partnership essential to expedite the resolution of conflicts over coastal and off-shore development. Finally, fairness demands that coastal states share in the revenues accruing from this development.

The states and the nation have too much at stake to put this off any longer. We applaud this Committee's efforts and offer our cooperation and assistance to make OCS receipts sharing a reality this year.

Thank you.

Senator STEVENS. Thank you very much.

Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman and members of the committee.

My name is William Campbell. I am the chairman of the Subcommittee on Wildlife and Marine Resources of the Ways and Means Committee in the South Carolina House of Representatives, and with your permission I will submit a full written statement for the record and just briefly summarize the main points.

Senator STEVENS. All of your statements will be printed in the record.

Mr. CAMPBELL. As a State legislator with responsibility for allocating funds for coastal and natural resource management research, I support OCS revenue sharing for a number of reasons; primarily for continuing to assure the wise utilization of our ocean and coastal resources. It is a shared Federal and State responsibility just as maintaining clean air and clean water are.

It is no more possible to draw a line in the air than it is in the water, whether fresh or salt, and one State's problems and costs quickly become another's without agreed-upon national policies and priorities and the capability to carry them out. There would often be small hope of constructive resolution if the States are left to their own devices. I think historically our problems with air and water which have resulted in the Clean Air Act and the National Water Pollution Control Act have borne that out.

The concept of shared State and Federal responsibility is well-established by statute. A few examples are the research on coastal and ocean issues, such as the partnership between Federal and State governments, universities and industries, and the Sea Grant Act. Regulatory responsibilities on the Outer Continental Shelf, while federally initiated, require a significant State consultative role such as the Coastal Zone Management Act and the OCS Lands Act amendments.

Senator STEVENS. Pardon me, Mr. Campbell. I do have to leave.

Mr. CAMPBELL. Certainly.

The OCS is comprised of resources held by the Federal Government for the public, but it is only fair to use revenues derived from the Outer Continental Shelf to mitigate impacts which are generated by Outer Continental Shelf developments. Additionally, there is historical precedent for S. 2972, particularly in the Mineral Leasing Act of 1920, which, incidentally, will pay out approximately $750 million during this fiscal year.

Finally, I think that probably you are as aware of this as I am, Senator, State budgets are stretched across the board, just like the Federal budget, and frankly, I don't think it is proper to place what I consider mutual State and Federal responsibilities on the States without providing the capability to carry them out.

I would just state that, of the two bills, S. 2972, and I think the number is 2974, my preference is for the Stevens-Hollings bill. Frankly I like the entitlement aspects of it, and the only weaknesses that I see in it are perhaps that it needs to be more specific in terms of the fundings which have to go to the particular areas which are specified in section 6.

I am unsure of the cross-reference in subsection E of section 6, which refers back to subsection C. But from our standpoint in South Carolina, we think that this proposal certainly has a great deal of merit and we look forward to continuing to share the responsibility for the coastal zone area and the Outer Continental Shelf.

I would be happy to respond to any questions that you have.

[The statement follows:]

STATEMENT OF WILLIAM M. CAMPBELL, HOUSE OF REPRESENTATIVES, STATE OF SOUTH CAROLINA

Mr. Chairman and members of the National Ocean Policy Study, I am William M. Campbell, Representative of House District 72, and Chairman of the Subcommittee on Wildlife and Marine Resources of the Ways and Means Committee, South Carolina House of Representatives. I appreciate the opportunity to address you on the topic of Outer Continental Shelf Revenue Sharing legislation.

I believe it is particularly relevant to consider the sharing of revenues derived from our public resources in the Outer Continental Shelf. Held as a public trust, all of the resources of the OCS collectively provide us with one of the most productive

and precious national heritages. The OCS provides a valuable and needed source of domestic energy. The development of these oil and gas resources also initiates impacts to the coastal areas of our Nation—impacts which state and local governments are largely responsible for responding to and mitigating. Oil and gas development also poses potential conflicts with the conservation and utilization of other OCS resources, such as our fisheries. Thus the OCS contains many interests which are diverse and occasionally explosive as we seek the proper balance between use and conservation, development and preservation of the entire OCS.

Since these resources are publicly held, all of this controversy unfolds in public view. And our willingness and ability to confront the thorny issues respresented in coastal and ocean resource management represent public policy in a classic form. Which level of government is the most appropriate for the resolution of conflicts? Which should have responsibility for the various aspects of good resource management—research, planning, regulatory and proprietary decision-making, and capital infrastructue development? And of course, who is to pay for this management, and who reaps the fiscal benefits from the development of the OCS remain of paramount importance. It is obvious that the benefits, the costs, and the responsibilities are a matter of mutual national and state interest.

Over the past few decades, the Congress has addressed itself to some of these questions, and has by and large established a reasonable and rational set of national priorities and policies which have reached the same conclusion. A few of these are:

The OCS is to be developed expeditiously as an energy source, but not to the detriment or exclusion of other important resources.

Research on crucial coastal and ocean issues is to be a partnership between the Federal government, State government, universities and industry.

Regulatory and proprietary responsibilities on the OCS are Federally-initiated, while a significant consultative role for the states is mandated.

Coastal management—a comprehensive framework for conflict resolution, balanced decision-making, and regulatory reform—is the responsibility of the states if they choose to accept it; yet clearly interests which are national in character and significance must be upheld.

As a State Legislator who is often in the midst of this ocean and coastal policy system, I can honestly say that it has considerable merit. It is therefore encouraging to see in both S. 2972 and S. 2974 an effort to provide necessary funding to continue implementing national ocean and coastal policy, and to continue striving for that crucial goal of balanced resource decision-making.

In these days of fiscal austerity, however, one must be mindful that not only is the Federal budget under restraint. State budgets are under restraint as well, while at the same time being stretched to compensate for reductions in Federal programs across the board. I do not find it wise, or defensible, to shift Federal responsibilities without some level of funding to carry out those responsibilities. By the same token, I do not believe it either wise or defensible to shift Federal revenues to the states without a concurrent commitment to continue existing national policy. Continuing to ensure the wise utilization of our ocean and coastal resources is a shared responsibility, just as maintaining clean air and clean water is. Just as in these two areas, one state's problems and costs can, and do, quickly become another's. Without a national statement of policy and priorities, there is often small hope of constructive resolution.

In regard to S. 2792, there is historical precedent for the program proposed in that legislation. The Mineral Leasing Act of 1920 shares 50 percent of all Federal revenues derived from mineral leasing on Federal lands with the surrounding State. In fiscal year 1982 this amount will total $750 million. The OCS revenue sharing bill would establish a just equity with inland States. And while S. 2792 is the more appealing to me of the two bills—primarily because it provides more direct responsibility to the coatal States—at the same time additional language could be useful to provide for a better balance of the objectives. As the legislation is written now, if I read it correctly, only one dollar need be allocated for each of the five objectives in section 6, while the remainder of the State's block grant could be spent for other purposes, giving the national policies embodied by reference in the five objectives short shrift.

In conclusion, I urge you to move forward as quickly as possible on OCS revenue sharing, and provide the States with the capability and responsibility to continue as an active partner in the proper management and development of our National Heritage of coastal and ocean resources.

Senator MURKOWSKI [presiding]. Thank you.
Ms. Greene, I believe you are the next witness.

Ms. GREENE. Thank you, Senator Murkowski.

I am Deni Greene, director of the Governor's Office of Planning and Research for the State of California. I have submitted a statement. I will just excerpt a small portion from it.

Congress, the Federal Government, and the States have worked for many years to establish a State-Federal-local partnership to manage our precious ocean resources. We believe that that partnership is now being severely threatened.

The OCS Lands Act declares that assistance should be provided to States and to affected local governments for protecting their coastal zones and other affected areas from any temporary or permanent adverse effects of exploration, development, and production of minerals in the OCS. When the OCS Lands Act was amended in 1978, the Coastal Zone Management Act was amended at the same time to provide funds for States to carry out their responsibilities under the OCS Lands Act.

National assistance has been provided to the States for a variety of important purposes. Now these funds are being cut off, but the OCS program and its associated impacts are being explanded. We believe that in 1978 Congress intended that OCS development and adequate funding for States to plan for and manage such development should go hand in hand. I hope that Congress in 1982 still intends that. We believe that it is both equitable and prudent to provide such assistance from the revenues derived from OCS development.

California is at this time not endorsing any particular bill on OCS revenue sharing. We do endorse the concept and we hope that a bill will come forth that will embody many of the principles in the different bills so far introduced.

[The statement follows:]

STATEMENT OF DENI GREENE, DIRECTOR, CALIFORNIA GOVERNOR'S OFFICE OF PLANNING AND RESEARCH

I am Deni Greene, director of the California Governor's Office of Planning and Research. My office is responsible for coordinating California's activities related to OCS development. I appreciate this opportunity to express to the members of this committee some of California's views on Outer Continental Shelf oil and gas revenue sharing legislation.

Congress, the Federal Government, and the States have worked together for many years to develop a State-Federal partnership to manage our precious ocean and coastal resources. That partnership is now being threatened.

The OCS Lands Act declares that assistance should be provided to States and affected local governments for protecting their coastal zones and other affected areas from any temporary or permanent adverse effects of exploration, development, and production of the minerals in the OCS. When the OCS Lands Act was amended in 1978, the Coastal Zone Management Act was amended at the same time to provide funds for "States to carry out their responsibilities under the OCS Lands Act." Financial assistance has been provided to states for research, planning, management and mitigation activities related to the coastal zone and marine resources.

Now these funds are being cut off but the OCS program and its associated impacts are being expanded.

We believe that Congress in 1978 intended that OCS development and adequate funding for States to plan for and manage such development should go hand in hand. I hope that Congress in 1982 still intends that. We believe that it is both equitable and prudent to provide such assistance from the revenues derived from OCS development.

Onshore states are compensated for exploration, development and extraction of minerals on federal land. Coastal states should receive similar treatment. Beyond

the question of equity, however, such a sharing of revenues is essential for any semblance of a federal and state partnership to be maintained.

You have before you two bills related to OCS revenue sharing; other bills have been or are soon expected to be proposed. The State of California is not at this time endorsing any particular OCS revenue sharing legislation. Rather we are urging the enactment of legislation which equitably shares a small portion of future increases in the revenues from the productive use of these non-renewable ocean resources and addresses certain issues we find critical to national coastal policy and the interests of all the Nation's citizens.

We strongly support passage of legislation that would provide to all coastal states, including those bordering the Great Lakes and the U.S. Territories, a portion of future increases in OCS oil and gas revenues to be used in part for the management of ocean and coastal resources. A minimum amount should be provided for each state to ensure that effective research, planning, management, and mitigation activities can be accomplished. To maintain the incentive for voluntary state participation in the national Coastal Zone Management Program, we support the concept that states with federally approved coastal management programs should be given added benefits.

This country is dependent upon the wise management of ocean and coastal resources for important sources of food, energy and minerals and the provision of special areas for recreation and commerce. For almost a decade coastal States have participated in Federal programs which promote the management of nationally important ocean and coastal resources. Federal support has been provided for the Coastal Zone Management Program, the Coastal Energy Impact Program, the Sea Grant Program, and fisheries management programs. Through these programs most coastal states have established the capability to participate effectively in Federal ocean and coastal management decisions. To build on the investment and progress made to date by continuing federal support to these beneficial programs is sound national policy. The Reagan Administration is eliminating federal support for all these state and local government research and resources management programs.

Revenues from a depletable natural resource which belongs to all of the people of the United States should be reinvested in the management of ocean and coastal resources that can be used for the benefit and enjoyment of all our citizens in this and future generations. Secure and sustained federal financial support is needed for state and local activities which further the nation's objectives. As you have heard, and will continue to hear, this position is shaped by other states in all parts of the nation, local governments, regional Governors Associations, and our nation's citizens.

Shared OCS revenues should be provided in block grants for state activities such as those authorized under the Coastal Management Program, the Coastal Energy Impact Program, the National Sea Grant Program, and federally supported state fisheries management programs. A block grant approach would further Administration efforts to reduce federal government intervention into state activities and is consistent with President Reagan's "New Federalism" policy, which calls for sharing authority and financial resources with States.

As you are well aware, the Department of the Interior is dramatically expanding and accelerating its Outer Continental Shelf oil and gas leasing program and coastal states are facing increasing burdens to plan for onshore and near-shore impacts. Without federal assistance many coastal states may be forced to abandon these efforts. Their ability to participate meaningfully in federal ocean management decisions will diminish.

The current 5-year OCS program proposes offering the entire California coast during this period. Although we have serious reservations about the pace and breadth of offerings under this program, we support the goal of increased oil and gas production on the OCS. California was the first state to produce oil and gas development from offshore areas, and we have consistently supported OCS development where the benefit outweighs the risks.

The ability of state and local government to cope with even the present pace of leasing is threatened by loss of coastal funding. For example, California is currently reviewing OCS plans of exploration in 3 weeks although we are legally allowed up to 6 months. Without adequate funding, those reviews are certain to take longer and could take as long as the entire 6 months. Such delays cost industry money and stretch out the time between leasing and production.

The Reagan budget cuts coupled with the enormous expansion envisioned in the 5 year program clearly reduce state influence in OCS decision making. In the OCS Lands Act, Congress strongly expressed its intention to have states and the federal

government work together to manage OCS development. Congress should, therefor, not condone the dissolution of the federal partnership with coastal states.

California opposes legislative provisions that would require OCS revenues to be withheld from coastal states that do not agree with federal OCS plans. Coastal states need funds to participate effectively in OCS oil and gas leasing decisions. OCS revenue allocation should be based, in part, on the level of existing OCS activity affecting a state as well as proposed OCS activity.

If states lose their ability to share decision making authority over the management of our nation's resources, the national program to promote expansive offshore energy development will be disrupted. Lacking the ability to effectively research, plan, manage, and propose mitigation measures concerning coastal activities, states will be driven to use the judicial system to prevent unwise or hastily developed offshore energy development plans. Only by maintaining coastal states as full partners in ocean management decisions can such conflict be avoided. In California, for example, Coastal Energy Impact Program funds are being used to support the Santa Barbara County Petroleum Transportation Committee. This committee is composed of representatives of the oil and gas industry, state and federal agencies, and county governments. It is working to develop a straightforward, coordinated permitting and environmental review and decisionmaking process that will enable the petroleum industry to proceed with environmentally sound development in the Santa Barbara Channel in an efficient and expeditious manner.

Congressional action preserving an effective state-federal partnership for OCS decision making can ensure both timely offshore energy production, as well as sound marine resource management. OCS revenue sharing is a small but critical investment which can promote the OCS oil and gas leasing program while strengthening state resource management capabilities.

Thank you for the opportunity to testify. I would be glad to respond to any questions.

Senator MURKOWSKI. Thank you very much, Ms. Greene.

I have a question of Mr. Giffen of Maine, and that is with regard to your opinion of the local government passthrough provision of the Stevens bill.

Mr. GIFFEN. We currently pass through 66 percent of our coastal zone management funds to local governments. Of course, the total dollar amount is much smaller than Maine's expected share of the Stevens bill would be. It seems to me that the Governors would want as much flexibility as possible in establishing the amount that would be passed through to local governments; that the needs differ from one area to another and that it would be better not to fix a percentage but rather to leave that to the discretion of the Governors and legislators to respond to the needs that exist in that particular area.

Senator MURKOWSKI. Thank you.

You also indicated, I believe, in your testimony a preference for the fisheries provision in, I believe, the Weicker bill. Is that correct?

Mr. GIFFEN. Yes. The emphasis on fisheries. We are not sure of the particular mechanisms that were specified in the Weicker bill, but we feel that fisheries are a very important coastal resource. They are very important to Maine, they are very important to New England, and we like the emphasis that is provided on them in the Weicker bill.

Senator MURKOWSKI. Thank you, Mr. Giffen.

Mr. Campbell, do you have any opinion on whether or not you feel States which receive no direct impact from OCS activity should share in the funding?

Mr. CAMPBELL. Senator, I think there is little question that they should. The coastal zone management program which has been established in South Carolina, and I would assume that this same

case exists in other States, has relieved the Federal Government of a great deal of responsibility, particularly with regard to the Corps of Engineers and the Fish and Wildlife Service.

In our State we have basically taken over the permitting function which those two Federal agencies had done in the past. Also I think that there is a national mandate with regard to the National Coastal Zone Management Act which mandates that the State do certain things with regard to national resources.

South Carolina has done that with the help of Federal funding in the past. It is my understanding that Federal funding for coastal zone management programs and their implementation and their continued existence will go out of existence next year. We are sitting there with our State which probably would pick up the financial burden which has been shared by the Federal Government in the past. I am not so certain that may be the case in many other states.

I share Mr. Corell's concern with regard to the sea grant program, which I think is a program which would be certainly in greater jeopardy than the coastal zone management program because it is a matter which is certainly of more long-term national and regional impact and it is very difficult at times like this to address that when you have certainly more pressing local and statewide priorities.

So my answer to your question is an unqualified yes.

Senator MURKOWSKI. Thank you, Mr. Campbell.

This would be for Mr. Cowles and Ms. Greene. Would you comment on the likely effects of State resistance to the current final 5-year OCS oil and gas lease sale schedule if this legislation is enacted? I think your States particularly.

Ms. GREENE. Yes. I think there are two ways I want to answer that. One is that if this legislation is not enacted and there are insufficient funds for planning and management to enable local governments and State government to handle the effects of the 5-year program, things will be worse. There will be more litigation than we see now.

Senator MURKOWSKI. So you favor it?

Ms. GREENE. I am definitely in favor of revenue sharing legislation. I don't think that providing funds will end all the problems that California has or other States have with the 5-year program by any means, but certainly without it we would have more problems.

Senator MURKOWSKI. It certainly will assist it.

Mr. Cowles.

Mr. COWLES. Alaska would be in the same position. Essentially we see these funds as being necessary to identify some of the problems that we think may occur with some of the frontier areas. If the proper amount of research had been done and funding would be available for those areas, we might find that we don't have the problem that we thought we had.

So we would see this as a way in which we could mitigate and perhaps minimize some of the conflicts that have occurred in the schedule, but it won't necessarily eliminate them.

Senator MURKOWSKI. It might be appropriate also if you would, I think again Alaska and California, comment on whether you be-

lieve that one State's share should have a maximum ceiling or should the overall fund have a ceiling.

Mr. COWLES. If the formulas are correct, and I think that you all have done a very good job in designing a formula taking into account all the types of impacts that will occur, then a cap on the amount a State would receive would not follow. That would say that yes, there are impacts in a number of different ways but we will only provide funds for impacts up to a certain amount regardless of whether the cost of those impacts goes higher.

It does make some sense to put some kind of cap on the overall fund, whether you do it in a percentage basis, apply it to a cost of living or some other type of percentage so that there is some limit to the growth of the fund, but not, I think, on an individual State.

Senator MURKOWSKI. Ms. Greene.

Ms. GREENE. I have no problem with a cap on either the fund or on an individual State. I think it is important to maintain the concept that is in the bill of a minimum funding for every State so that the States getting a larger share don't eliminate funding for some of the smaller States.

Senator MURKOWSKI. Two other questions that I would submit to the panel, and if you generally agree, why, anybody could respond, and if you disagree, don't hesitate to take exception.

I am curious to know if you support inclusion of the Great Lakes States in this legislation, and could you outline a reason for your position? Why don't we start with Mr. Giffen.

Mr. GIFFEN. Yes, we support inclusion of the Great Lakes States under the legislation. I think the reason is that we are talking here not only about OCS impacts but energy impacts that would affect those States, specifically coal, which I understand creates considerable problems in some areas in the Great Lakes region.

Furthermore, I think that there is a precedent through the Coastal Zone Management Act and other Federal legislation for considering Great Lakes States to be ocean States, and I think that we ought to honor that tradition and precedent.

Senator MURKOWSKI. Mr. Campbell.

Mr. CAMPBELL. Senator, I really don't have any position on the matter.

Senator MURKOWSKI. Ms. Greene.

Ms. GREENE. My position is very much similar to Mr. Giffen's.

Mr. COWLES. Alaska does support the inclusion of the Great Lakes as well as the trust territories for the same reasons. There will be impacts from energy development, whether it is oil and gas or otherwise.

Senator MURKOWSKI. What will be the effect of State planning if the funds were subject to an annual appropriation process? I would pose that to the panel.

Ms. GREENE. I think one of the problems with an annual appropriation process is the uncertainty that will be introduced.

Senator MURKOWSKI. Could you live with the bill if that is the way it came out?

Ms. GREENE. If the choice were appropriations or nothing, I am sure we would live very happily with appropriations; but our preference certainly would be a greater certainty than appropriations

do provide. But our offices, of course, have all lived with appropriations for years and we have managed to survive.

Mr. COWLES. I think one of the concerns we have with an appropriation approach as opposed to the approach you have taken, Senator, is that with seven frontier areas in Alaska, there are a number of needs in terms of research, in terms of development proper planning mechanisms and providing infrastructure. Those kinds of costs start right away and they don't wait for oil to be developed offshore—provided to the shore.

So we would say that for the purpose of the local communities, there should be that continuity provided through the approach you have elected to take at this time.

Senator MURKOWSKI. Mr. Campbell.

Mr. CAMPBELL. Senator, I would like to point out that one of the most difficult jobs in State budgeting is trying to figure out what the Federal Government is going to do in terms of their appropriation process. I think that has caused States a great deal of difficulty recently in terms of trying to determine how much money they are going to place in programs. It brings the budgeting process down to the wire in many cases, particularly in terms of recent developments on the Federal level.

I think continuity has a great deal to say for it with regard to this program; that it is very difficult for States to develop any continuity with regard to their budgeting process with some uncertainty on the Federal level. I suspect that an entitlement basis for the sharing of the funds would certainly make it easier for the States to make their planning on what I think we all agree should be a long-range basis.

Senator MURKOWSKI. Mr. Giffen.

Mr. GIFFEN. One further thought on that. It seems to me in this case what is good for the goose is good for the gander, and that if we are providing these funds as an entitlement to inland States for mineral leasing, that coastal States deserve the same kind of consideration.

Senator MURKOWSKI. Thank you, Mr. Giffen.

Mr. Cowles, I wonder if you would comment, knowing of the importance of fisheries in the State of Alaska, as to whether or not you feel that the Stevens bill addresses this issue in the same best interest of the State of Alaska as the Weicker bill addresses that issue or whether you feel that there may be some inclusion in the Stevens bill that could come from the Weicker bill, or what comment you may have.

Mr. COWLES. First of all, I think your bill does recognize some of the concerns and problems over fisheries. It is fisheries, it is marine mammals, it is water fowl, and they have international significance. It is the whole range. We have started to study the Weicker approach, and I think Senator Weicker has for some time taken some interesting and very good, strong approaches on fisheries management. Although it is a novel approach, we have not had any opportunity to provide the insight into Senator Weicker's fisheries plan that we need to, but it may well be that something of that sort ought to be included or at least studied for inclusion at a later date. There is some merit to the approach he has taken.

Senator MURKOWSKI. Thank you, Mr. Cowles. I thank the panel, Ms. Greene, Mr. Campbell, Mr. Giffen, and Mr. Cowles.

We have concluded our hearing of the full committee on the National Ocean Policy Study. I would remind you that the record is open for 2 weeks. With that, we will adjourn the hearing.

[Whereupon at 11:45 a.m. the hearing was adjourned.]

OUTER CONTINENTAL SHELF REVENUE SHARING PROPOSALS

WEDNESDAY, SEPTEMBER 1, 1982

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
NATIONAL OCEAN POLICY STUDY,
Astoria, Oreg.

The committee met, pursuant to notice, at 9 a.m., in the Commissioners' Conference Room, Port of Astoria Office, Astoria, Oreg., Hon. Bob Packwood (chairman of the committee) presiding.

OPENING STATEMENT BY THE CHAIRMAN

The CHAIRMAN. The hearing will come to order, please.

I'm delighted that so many of you have taken the time not only to come to this hearing, but a good many others I see here were at the breakfast that Governor Atiyeh and I had just a few moments ago.

As you are aware, there is a hearing this morning in Astoria and this afternoon in Coos Bay on the subject of some bills currently before the Congress that will allocate funds to coastal communities.

In the years ahead, this Nation will be pressed more and more to develop our significant oil and gas resources on the Outer Continental Shelf and, clearly, these resources are substantial. The quantity is not fully known—probably never will be—but we realize there are extensive resources.

The consequences of such a move are obviously going to be felt mostly by our coastal communities. Therefore, the bills—both of them, but in different ways—address the issues of how we are going to cope with the requirements of the development that is bound to occur on the coast as we go ahead with our Outer Continental Shelf drilling and exploration, how do we protect the renewable marine resources that are involved while we are doing this, and, last, how do we prepare our economies for the eventual day when those resources are depleted.

There are two principal bills, one introduced by Senator Stevens and myself and others, S. 2792, and under this legislation a percentage of the Outer Continental Shelf receipts are to be shared among all of the coastal States in the form of a block grant for coastal planning, research, management, and development.

Under that bill, the moneys are distributed to States on a certain formula. Those that actually have the oil or gas off of their coast will receive a slightly larger share than those States that do not.

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But, every coastal State will be guaranteed some portion of the fund.

The money comes to the State, and a certain portion of it is directly passed through to the coastal communities, and the State uses the other portion for the benefit of the entire coast.

Senator Weicker has introduced a bill, the Marine Resource Management and Research Act, S. 2794, and this also sets aside a portion of the Outer Continental Shelf energy revenues. These funds are intended as a supplement to existing Federal ocean and coastal programs.

The portion set aside would be 10 percent under the Weicker bill—10 percent of the annual growth in the Outer Continental Shelf revenues. Using fiscal year 1981 as a base, that would put a $350 million a year limit on the amount that can be distributed.

Unlike S. 2792, which is the bill of Senator Stevens and myself, these funds are made available through the annual appropriations process and, of course, that has tremendous variations in it. Sometimes appropriations are up; sometimes they are down. But you are perpetually dependent from year to year on the whims and vagaries of Congress. We have been doing very well recently, with Senator Hatfield as chairman of the Appropriations Committee, and I would have no fear that Oregon would fare well so long as Senator Hatfield is there.

But, all things considered, I prefer a process where the money to the local governments is guaranteed in a reasonably predictable fashion, and the amounts are not subject to any great variation.

As the witnesses testify today, I would appreciate it if they would be willing to compare one bill as against the other and see how Oregon would benefit under each. What constructive impacts can the State and localities anticipate from the funds?

Do the purposes for which the funds are provided match the needs of States and localities? We are all familiar with the situation where there are Federal Government funds for certain projects and, indeed, those are not the projects that are the priorities of the recipients of the funds. They will take them, clearly, but given wider discretion and latitude in the spending of them, they might have different priorities than those for which the funds are allocated. I would appreciate comments on the distribution formula, and whether or not you think it is equitable.

Regarding the last point—the distribution formula—Governor Atiyeh and I have proposed that coastal unemployment might be an appropriate consideration in the formula. Senator Stevens has agreed that this could be considered in devising the final disbursement formula. Governor Atiyeh deserves the sole credit for suggesting this. I had not thought about it at the time of drafting of the bill. He called it to my attention.

Needless to say, if you look at the economies of the Oregon coast, if unemployment is a factor, it would be an increase in the amount of money that would be allocated to the State of Oregon and, therefore, to the counties.

Our first witness today is my old friend, the Governor of the State of Oregon, Victor Atiyeh, who has been an early and a constant supporter of Outer Continental Shelf revenue sharing.

Governor Atiyeh.

STATEMENT OF HON. VICTOR ATIYEH, GOVERNOR, STATE OF OREGON

Governor ATIYEH. Senator Packwood, on behalf of the people of Oregon's coastal counties, I want to thank you for bringing this field hearing on S. 2792 directly to the communities which, depending on the fate of the Federal legislation, can be helped or hurt by Outer Continental Shelf oil and gas leasing.

I also appreciate the opportunity to cochair these hearings with you. The manner in which you and your staff have worked and consulted with my office, State agencies, and local governments on this issue has been both considerate and effective. We want to thank you for your leadership and your cooperation.

I must also add that you have shown considerable political courage in cosponsoring S. 2792 at a time when Federal revenue sharing, regardless of what is fair and right, is not a comforting prospect to the U.S. Treasury.

As Governor, I am proud to be your strong ally in urging Congress to approve this legislation.

Benjamin Franklin once said "a part of everything you earn is yours to keep." He was talking about prudence and thrift, but his words drive to the heart of this issue. Oregon, more than any other coastal State in this Nation, has taken extraordinary measures that reflect the special reverence we have for a magnificent natural resource; 98 percent of our ocean shoreline is, and forever shall be, open and free to the public. By comparison, an average of only 2 percent of other coastal States' shorelines is open to their public.

You and I, Senator, as members of the 1967 Oregon Legislature, supported the historic beach bill that represents Oregonians' everlasting commitment to preserve and protect an irreplaceable resource. The beach bill was an important and unprecedented statement of public policy. It assured the vitality of Oregon's third-largest income-producing industry—tourism—which even in these hard times is the Oregon coast's most reliable economic cornerstone.

But the task of assuring a broad and long-term economic viability for coastal communities cannot be accomplished independently by those communities, or by State Government or by the Federal Government. All three must work together.

The establishment of an effective local-State-Federal partnership is in the best interests of all three entities and Congress, in the past, has made sincere efforts to forge those alliances.

Under the Coastal Zone Management Act, States prepared coastal zone management programs designed to accommodate national, regional, and State interests. Oregon was the second State to receive Federal approval of its coastal management program 5 years ago. Other Federal programs, including the national sea grant college program, the coastal energy impact program, and research programs conducted under the Anadromous Fish Act and the Commercial Fisheries Research and Development Act, have reinforced the notion that mutual benefits are the products of cooperation and shared responsibility.

Now, however, the administration is ready to pull the plug on those partnerships, and at the same time intends to accelerate Outer Continental Shelf oil and gas leasing.

The dissolution of these Federal-State partnership programs is a hard left jab. Accelerated Outer Continental Shelf oil and gas leasing is a hard right cross. S. 2792 is our best and perhaps our only defense against the knockout punch.

Historically, Federal and State resource management partnerships have honored State entitlements to keep a share of revenues earned from Federal leasing programs in those States. Affected States receive one-half of all mineral leasing revenues. Since the beginning of this fiscal year, 23 States have received direct Federal payments of $272 million under the Mineral Leasing Act.

The national forest receipts program shares 25 percent of revenues from Federal timber sales. In Oregon, Federal timber revenue sharing is a major source of funding for counties and schools. Federal law authorizes Federal payments in lieu of taxes when a Federal presence imposes burdens on local jurisdictions.

Shared revenues is a longstanding national policy, established both by tradition and law. Revenue sharing recognizes Ben Franklin's adage that part of everything we earn is ours to keep, as well as the Federal Government's reparative obligations to local jurisdictions which must absorb the impacts of Federal activities.

As it now stands, the Outer Continental Shelf Lands Act totally ignores precedent, equity, obligation, and commonsense. The law says, in effect, that regardless of the pressures and adverse effects of offshore oil and gas leasing on coastal States and communities, those States and communities alone must pay the price.

In a word, Senator, that policy is unacceptable. I do not oppose Outer Continental Shelf leasing so long as the State of Oregon is consulted in advance, and our concerns are given proper consideration. What I do oppose is the Federal Government and the oil and gas companies playing a billion dollar ball game in our front yard and not paying for any windows they break.

You know as well as I, Senator, that the Oregon coast does not need any more broken windows. Despite the several Federal resource management programs that have helped Oregon's fisheries and other ocean and coastal resources, we have had to scratch and scramble just to maintain the status quo. Now even those programs are being abandoned, leaving coastal communities to face unknown new pressures at a time of near record unemployment, business failures, and Depression-era budget deficits.

I support the theory of New Federalism. I do not believe that New Federalism means that the economy of coastal Oregon must be destroyed in order to save it.

Senator, a lot of oil and gas companies are going to get very, very rich developing Outer Continental Shelf resources. The potential earnings for the Federal Treasury are inestimable. But what about Tillamook? What about Astoria? What about Siuslaw, Florence, Reedsport, Salmon Harbor, the ports of Curry County and the central and north coast? When shared receipts under the inland leasing programs are at record high levels, is the Federal Government ready to write off our battered coastal communities as expendable?

Congressional approval of S. 2792 will offer some reasonable compensation for the severe stresses Outer Continental Shelf activities will place on public facilities, roads, schools, hospitals, parks, moorages, and the degradation of living marine and estuarine resources.

Under this bill, Oregon would receive at least $6 million annually in block grants, 40 percent of which is to be automatically passed through to coastal jurisdictions for a broad range of eligible programs, including capital improvements that promote economic development.

The balance of the block grant is to be allocated in Oregon's coastal zone at the direction of the Governor. The bill provides maximum deference to the State to determine the appropriate use of this portion of the grant. That process must be simple and responsive, and I assure you that private and public sector representatives of Oregon's coastal zone will participate in that decision-making.

In a moment, Senator, several heads of State agencies will offer their testimony in support of S. 2792. I concur in the recommendations they will make. But I want to put special emphasis on two points which are vital to the effectiveness of the ocean and coastal development impact assistance fund.

First, because the economy of Oregon's coastal counties is so utterly dependent on forces far beyond our control, part of the formula for disbursement of these shared revenues must be tied to the rate of unemployment in each county.

Second, to take advantage of the planning we have done, and to be assured that those plans can be carried out, the bill must provide a clear certainty—a guarantee, if you will—that the long-term integrity of the fund is assured.

Senator, you and I know personally dozens of people in this room today. These are the people who intend to live, to work, and to prosper on the Oregon coast. They are fishermen, loggers, farmers, lumbermen, merchants, and locally elected public officials. They neither seek nor want charity, and neither do I.

What we seek and what your legislation will deliver is a fair shake.

Thank you.

The CHAIRMAN. Governor, let me say to you if this bill passes you will have had more to do with it than any other Governor in the States. You have shown more interest in it. You have given more push to it. You have made the suggestions for the amendments. We have got dozens of coastal States who really should have as much of an interest in this as Oregon, and none of them—none of them—have taken the part or the lead that you have.

I personally appreciate it, and I think everybody on the coast, when this bill passes, will be in your debt for your leadership.

Governor ATIYEH. Thank you, Senator.

The CHAIRMAN. You are welcome, if you wish, to join me for the rest of the hearing this morning. I do not know what your schedule is, but if you have time you are welcome to stay here. If you have other plans, I will understand that.

Governor ATIYEH. Well, I would like to for a while, Senator. Then I have to make some phone calls to find out what is happening on the special session. I may come and go, but I will join you now.

The CHAIRMAN. Thank you very much.

Our next witness will be Jack Donaldson, the director of the Oregon Department of Fish and Wildlife.

Good morning, Jack.

STATEMENT OF JACK DONALDSON, DIRECTOR, OREGON DEPARTMENT OF FISH AND WILDLIFE

Mr. DONALDSON. Good morning, Senator. Good morning, Governor.

It is a pleasure to be here, particularly on a beautiful day in Astoria like this. Yesterday I was in northeastern Oregon and it was delightful and beautiful over there, and it was almost too much to leave. But it is nice to come here and share this with you here this morning.

I am Jack Donaldson, the director of the Oregon Department of Fish and Wildlife. Again, thank you for this opportunity to speak to this very important legislation on outer continental shelf energy development.

My agency is responsible, as you know, for the living marine resources along the Oregon coast, and shares in the coastwide management of our neighboring States through the Federal Government beyond 3 miles.

The ability to manage for wise use, as well as the protection of those resources regardless of jurisdiction, concerns us greatly in these times of strained fiscal austerity.

At the local, State, and Federal levels, revenues are cut—revenues and budgets have been cut, and have severely limited the governmental functions, in many cases below those required by statute. We have no choice but to search for alternative funding.

The desire to benefit from Outer Continental Shelf revenue is quite obvious. In our collective eagerness to take advantage of new money, it is equally important that we consider it an opportunity not to be abused.

My interest as director of this resource agency is clear. My concern is that these funds be used in ways that insure compatibility—and I emphasize "compatibility"—with other State agencies involved in the process, with coastal communities and their residents who are facing extreme adverse economic conditions; third, with existing governmental systems of proven performance and value; fourth, with neighboring jurisdictions of similar interests in regional approaches to resource management; and, fifth, with the environmental and habitat requirements of our coastal zone programs. I will address these in a little more detail.

The bills before Congress offer a number of options for apportionment of these funds. I certainly favor the sharing formula in S. 2792 that will allow the affected State and local agencies to expand opportunities for cooperation. The best value from the investment of these funds at the State level will depend on improving compatibility between fish and wildlife management, coastal zone management, port development, water and land uses, and a number of other issues.

This legislation has the potential to strengthen the working relationship between these entities, and I cannot emphasize that more.

I am deeply concerned about the economic viability of Oregon's ports and coastal communities and, as you and the Governor

know—and many folks in this room—we have had a major part in some of the decisions made of late that have affected that economy.

Our marine and coastal fisheries resources are essential to these economies and they are based on these resources, as well as the wood products industry. Fishery development opportunities do exist. They call for careful planning and execution on this partnership basis that I speak of. This is between coastal residents and agencies like ourselves.

I am going to divert just a moment here to reference a project that Joe Easley, who is here in the audience, and many know in the area as the Director of the Oregon Otter Trawl Commission, and a well-known fisherman on the coast, a member of the Pacific Fisheries Management counsel. We had an opportunity to visit a new marina project in Ventura, Calif., which is developed for fishermen and one of the finest examples of private enterprise and local community spirit in developing something for the fishermen.

I just cannot emphasize more how that is so important to Oregon in fisheries development. I am anxious to push to see that such a thing may someday come to be here in Oregon—or several of them.

This comes into the vein of liking to develop new ideas and initiatives along these lines and to focus funds from this revenue source for expanding fisheries opportunities at the local level. Already in Oregon we have had successful results with our STEP program, one that Representative Hanneman began in the Tillamook area and we have expanded upon.

The coast has a tremendous future, with marine recreational fisheries initiatives for the nonsalmonids—and so often we are so close to the salmon question we forget about the other opportunities that are out there that continue on day after day, year after year—and with public information services in cooperation with the marvelous Oregon sea grant program and marine extension programs also.

The third issue. It is imperative again that this revenue-sharing process not become a total substitute for existing programs under Federal mandate. These have proven to be effective and have already been spoken to by the Governor—the sea grant program, the Anadromous Fish Conservation Act, Commercial Fisheries Research and Development Act, the Coastal Zone Management Act, and the programmatic funding under the Magnuson Fisheries Conservation and Management Act.

There is a very serious problem being faced there in that particular body that was imposed upon us by Congress—rightly so, very effective, always needing some attention, but working. A shortage of programmatic funding there would be disastrous because we have new responsibility, added jobs for which we do not have the State money or the people to take care of.

Abolishment of these programs would essentially abdicate Federal agencies' responsibilities in areas that the States are unable to pick up the effort. Basic elements of these programs must continue, and receipt of the funding authorization and appropriations.

Funds allocated from outer continental shelf revenues should supplement and not replace existing law. We are already far behind. Despite an apparent contradiction in terms, I support an allocation system that can best be described as dedicated block

funding. State agencies should not be required to compete with each other for allocations that could be handled more equitably through a designation formula, be that in the legislation itself or done at the local level.

I think this is terribly important—that we know what is available and that it is there on a continuing basis.

The CHAIRMAN. Perhaps the Fish and Wildlife Department might be one of the agencies that would receive an allocation, I take it?

Mr. DONALDSON. We are certainly speaking to that here this morning, Senator.

The CHAIRMAN. All right.

Mr. DONALDSON. A designation formula for general categories of activities, such as sea grants, State coastal or local planning programs, resource enhancement, fisheries development, et cetera, not only assures balance among programs, but certainty and continuity. I think the certainty and the continuity cannot be emphasized too much here.

This legislation can also assist coastal States in addressing the regional fisheries concern more directly and effectively. With resources and fisheries that range across political boundaries, we need the flexibilities that are offered through these funding sources to manage on a real time basis—and I emphasize again the "real time basis"—the need to understand the fisheries better, and to be able to respond to resource crises that occur, such as in our salmon fisheries during this last year.

Pacific States have long recognized the value of interstate cooperation, and I think of all the States in the Nation, the Pacific coastal States have shown and led in that particular behalf through the Pacific Marine Fisheries Commission, and now through the regional approach to the Federal enactment of the FCZ.

Another benefit to be derived from the legislation deals with the more comprehensive approach to environmental and habitat considerations. Financial support would insure our ability to fully assist in carrying out in our case, fisheries management responsibilities, but our agency is also a part of the Oregon coastal management program.

In closing, I strongly support this congressional initiative to assist the coastal States and communities. The revenue-sharing concept, as applied in this instance, will contribute to the future wellbeing of this Nation's coastal marine resources and, in our case particularly, the State of Oregon, where we have a very proud tradition.

Thank you, Senator.

The CHAIRMAN. Let me ask you about this allocation formula that you talked about—"an allocation system that could best be defined as dedicated block funding. State agencies should not be required to compete with each other for allocation."

I sense what you are talking about are agencies that have some connection with the coast or wildlife or marine management or fishing. Would LCDC get an allocation?

Mr. DONALDSON. Yes, I would certainly think that is more than reasonable, and they should. I am not talking about just the fisheries agency in this case. I am talking about all the State agencies

that have a role and have continued to play a very strong role and a coordination function in coastal zone matters.

The CHAIRMAN. In drawing legislation at the Federal level, where you have got certain kinds of agencies in Oregon and different kinds of agencies in Georgia, how do we draw that? You do not mention them by name in the legislation. They vary from State to State.

Mr. DONALDSON. I realize that problem, Senator. I think that could be done as the block grant to the State, and then the State takes that authority and under the Governor's auspices says that these moneys will be appropriated out as the State can best use them. I would certainly rely on the Governor's office for that responsibility.

I do not think it necessarily would be well to write that into the Federal legislation.

The CHAIRMAN. Well, I cannot speak for the Governor, but my hunch is that is probably exactly what Governor Atiyeh would do with the 60 percent that goes to the States. He would decide how much you need, how much LCDC needs, how much the other agencies need, and try to allocate it on that basis—how much the ports need and so forth.

Mr. DONALDSON. Yes.

The CHAIRMAN. In terms of the enhancement of fisheries, in your estimation what is the best place to expend funds—at the local level? At the State level? The Federal level?

Mr. DONALDSON. The fisheries programs have traditionally been a States rights issue and the States become extremely jealous when the Federal Government steps in.

Under the Fisheries Conservation and Management Act, we have accepted that one because this was beyond our authority. In the 3 to 200 miles up and down the coast, we had no authority. So we joined into that regional approach—one which has had its problems, but basically is sound.

However, yet again the management of those resources must fall upon the States. The management of the fisheries and wildlife resources are a very strong State program.

The CHAIRMAN. Governor, any questions?

Governor ATIYEH. No. I was going to follow along the line of fishery enhancement, which Jack and I have talked about at great length. As a matter of fact, it has been a continuing discussion in my 3½ years as Governor, and not just between us.

Mr. DONALDSON. We have spent a great deal of time together.

Governor ATIYEH. You mentioned the STEP program specifically as one of those elements that is involved in the possible use of that money.

Incidentally, I might also add—and it has not been mentioned—that tourism, obviously, as we can deal with it at the State level, would be a very useful part of those dollars.

Is there much more that we could do within our existing hatchery system with these funds in addition to STEP? You did also mention habitat improvement for natural spawning. Now, can you see offhand, right now, with our existing hatcheries, improvements there for prodouction of fish?

Mr. DONALDSON. Governor, the need is always there for some added work. We would like to begin in the stream systems. The STEP program is a part of that. We need a stronger State program in rehabilitation as well as stream protection. Those two go hand in hand. You cannot just rehabilitate. You have to protect what you have. Oregon is blessed with strong laws, as you well know.

As you move on down the stream and we add the public hatchery fish, always we can use more there. I emphasize, as I have for numbers of sessions now, the qualitative aspect. I met with Dr. Duncan Law of the OSO Marine Seafood Laboratory here, and we have had a very active program to improve the nutrition of salmon. I have a very strong feeling—and my background is strong in that area—that we can do better with a higher quality fish going into the ocean. We need some effort in that area, and particularly with nutrition, genetics, and disease control.

Once those fish get into the ocean, we have a better understanding, through research and development of what the ocean is doing. It is variable; it does change from year to year. We need to understand that better so we can better ranch the ocean with our own public fish, given that knowledge of the ocean, and given the timing of our fish, and some things we can do to hold them and release them when the ocean is ready.

It is like a rancher. I have spent the last several days with ranchers—marvelous trip over there—looking at pasture and how elk and deer interact. You do not put cattle out on a range when it is not ready, and we should not put our own public fish into the ocean until it is ready. I think we can enhance immensely our fish returns with those sorts of strategies.

Once they are in the ocean, we must have a better understanding of the stock composition, the distribution, the timing, the migratory paths, and, in addition to the Oregon production, it is a means of looking at those stocks in the ocean as to their contribution rate.

These are all part of the total salmon picture. Again I emphasize, as you have heard me say so many times, there is no quick fix to that situation. It is from the headwaters to the ocean and back again.

Governor ATIYEH. This really is a little bit apart, but along with what you were just saying I would like to review this for my own thinking. At the present time, what is the comparison between survival rates of presmolt and smolt releases?

Mr. DONALDSON. The numbers are being compared with the numbers released at one time in the 28 million category, and the greater number of those were presmolt and fry, unfed fry as we see out of the STEP program. We get considerably better return and cost effectiveness with the smolt.

However, a total program of smolt release is not totally essential. We can release them presmolt and we should release some presmolts, and we do. But we certainly do not want to reduce the smolt program in favor of the other. The other will be in addition to and particularly to enhance and develop the natural spawning systems that are underseeded at the present time. That is a good use of presmolts.

Governor ATIYEH. Thank you.

The CHAIRMAN. Jack, thank you very much. we appreciate it.

Mr. DONALDSON. Thank you very much, Senator.

The CHAIRMAN. Next we will hear from a two-person panel representing the ports—Bill Herder from Newport, who is the president of the Oregon Public Port Association, and Floyd Shelton, who is the executive director of the Port of Astoria.

If you both would come up to the table together, please, Bill, why don't you go ahead first.

STATEMENTS OF BILL HERDER, PRESIDENT, OREGON PUBLIC PORT ASSOCIATION, NEWPORT, OREG., AND FLOYD SHELTON, EXECUTIVE DIRECTOR, PORT OF ASTORIA, ASTORIA, OREG.

Mr. HERDER. Senator Packwood, I have submitted a written statement and if it would be agreeable, I would just like to rather informally discuss the issues that I have found in the bill.

The CHAIRMAN. I might say to all of the witnesses your entire statement will be in the record if you choose not to read it and emphasize the high points.

Mr. HERDER. I have had considerable experience with off-shore siting and Outer Continental Shelf development. I was involved as a professional diver in the off-shore drilling that Oregon experienced in the sixties.

From a port experience, I have experienced the economic impact that the Port of Newport had at the time the drilling vessels and research vessels were in there.

So, in reviewing this with that past background, I find a problem in that the bill does not address, No. 1, the economic impact that is going to be focused on ports. It addresses completely and totally environmental concerns, and rightfully so. I just feel that the economic impact should be a great consideration.

I like the structuring of the entire bill, the process by which the funds reach the local community. I do feel that there should be some wording that includes ports, since ports will be the direct access to the off-shore fields.

I found perhaps an error in the writing of the bill, and that is where it references—in section 6, subsection (e)(2), where it refers to the 60-percent percentage going to the State in subsection (c). That subsection (c) does not relate to that. It must be (d), right?

The CHAIRMAN. Thank you. I thought I read this bill very, very carefully.

Mr. HERDER. One other concern I found that might be worth putting in there—and that would be the issue of river ports. We might possibly have an impact on a river port in Oregon, but perhaps a greater impact might be on some other river ports. I am thinking of the Mississippi River, where they have access to oil fields and lease fields, and that would be both economic and financial impacts. So that should be considered, too.

Other than that, I want to assure you that the ports in Oregon, those that I contacted prior to writing my statement, are 100 percent in support of the structuring of the bill and the concept of it.

The CHAIRMAN. Assuming we mention ports specifically so—indeed, it is understood that we intend ports to be eligible—are you reasonably satisfied with the allocation of 40–60, or change it to

50–50, but part of it staying with the States rather than all of it being passed through to the ports or local governments?

Mr. HERDER. I like 50–50 better than 60–40.

The CHAIRMAN. And you would like 60–40 better than 40–60. I understand that.

Mr. HERDER. Yes, I think so. I think as long as ports are acknowledged and addressed in the bill, and as long as the money is allocated by the State government to the local government, then I think that structuring is excellent.

The CHAIRMAN. Mr. Shelton.

Mr. SHELTON. Thank you, Mr. Chairman, Governor. It is a pleasure to be before you this morning. I would like to take this opportunity to thank you, Mr. Chairman, and the Governor for all the help you have provided to the Port of Astoria in the past. Certainly we have been on an upward slope, I think, in the last year and a half. We certainly could not have done that had it not been for your important support, both you, Mr. Chairman, and the Governor.

The CHAIRMAN. Let me say a word there, Floyd.

I have noticed a difference on the entire Oregon coast in the last year and a half. Coos Bay has their drydock, and they have got consistent employment in it. There is just a difference in attitude.

Part of it, frankly, is the leadership that we are finding from the counties and at the port level that is more bouyant and more optimistic than it used to be—more imaginative and more creative.

It makes it a lot easier to get moneys for Astoria, or Newport, or Coos Bay, when indeed the applications make sense. There have been times in the past when some grant applications come to the Federal Government and I read them and I cannot understand what it is that they want. Those days are long since past, and I take my hat off to both of you.

Mr. SHELTON. Thank you, Mr. Chairman. I think it is very important that everyone understands how these two things work together. We are kind of on the frontier, out in front, trying to market and sell local jurisdictions such as the Port of Astoria and other ports, and we have to be able to demonstrate the support that we have both at the State level and at the congressional level.

Without that kind of support, we are in a much worse position in being able to sell and develop our local areas. So it is really a two-hand proposition, and we certainly do appreciate it.

I would like to take a moment and read my prepared testimony. This is testimony on S. 2792, Mr. Chairman, and we have not had time to prepare any remarks on S. 2794.

Chairman Packwood, members of the committee, Governor, thank you for the opportunity to comment on S. 2792. It is a progressive and innovative method of sharing outer continental revenues. This bill has aspects that are sensitive to the needs of the States and local governments, and maintains the Federal commitment to prudent management of our coastal resources.

This recognition of the difference in roles that the State universities, research and planning organizations, and the local jurisdictions have in the coastal zone is refreshing. For too long, Federal programs have been unable to direct resources to local governments who have had the direct responsibility for providing new

services and programs dictated by external activities outside their direct control, such as Federal leasing programs or mandated programs such as coastal zone management.

The Port of Astoria supports the $4 million guaranteed minimum to coastal States and the additional $2 million when States have approved coastal zone management programs.

We also strongly support the 40 percent minimum allocation of these revenues to local governments. OCS activities will directly affect local government, and a guaranteed 40 percent seems a fair allocation to develop programs to accommodate these effects.

Recognizing the different activities that various levels of government undertake, the port would like to recommend that 40 percent allocation to local jurisdictions be directly distributed to categories in which they are primarily interested—that is, mitigation, land acquisition, engineering, capital infrastructure, and port redevelopment. This would assure local government the resources necessary to undertake their primary mandates of the provision of facilities and services.

The State, with its 60 percent allocation, would then be free to concentrate and develop large-scale programs, such as fisheries research and management, education, long-range coastal research, natural resource management, and other such activities that generally transcend local government boundaries.

Ports need to be more clearly defined in the legislation. That has been mentioned before. Currently they are referenced only as coastal municipalities.

With these minor modifications, which we feel would enhance the intent of this legislation, the Port of Astoria, supports this bill.

On behalf of the Port of Astoria, I wish to thank you for initiating such progressive legislation, and appreciate the opportunity to appear before you and hope our comments prove to be helpful.

I would be happy to answer any questions you may have.

I would like to parenthetically remark that this bill is a very good direction. It is very important, I think, to have the pass-through allocation to local areas. But we do feel that there should be more addressed to the capital requirements of ports.

The ports on the coast are really the people that are in the forefront of development. We have responsibilities charged by our legislature to develop the local areas. Oftentimes we find ourselves up against many, many agencies that may not feel as strongly about development as we do. That is not to say that their responsibilties for the maintenance, support and development of coastal resources is not just as important as ours. It is. But it seems to be somewhat skewed in that we do not have the reources available to us.

When I read through this bill, I think that you could address more by providing for economic analysis in the bill, and providing the money to be passed through for—and clarified, I should say—for the capital infrastructure requirements on it.

I did a quick analysis on it, and I think that if we are looking at $6 million and we break it up into a 40–60 split, we are talking about $2.4 million distributed on the coast.

Now I understand that over time each coastal port or each coastal area will have some allocation—over time. But if we look at the three ports that probably would have the initial impact from coast-

al energy activities, and perhaps have the highest level of development, we are looking at Coos Bay, Newport and, I believe, Astoria.

If we break that $2.4 million up, then we are talking about $800,000 to each one of these three areas in any given year. Taking it one step further and looking at the purposes for which the bill was set up, there are five categories, one of which is capital infrastructure. That turns out to be about $160,000.

That is not enough, we feel, for us to make any significant impact in constructing or redeveloping any of our capital facilities.

I think a better approach would be to perhaps hold the blocks up and perhaps not give it to us—not give it to the ports or the local developers, or whatever, in any given year but give it to us on a random or a revolving basis, where over time we would look to the future—take our turn in line. But when our turn comes, we could get enough capital that we could move into building capital infrastructures.

In the case of what we have to do, it is build docks, piers—things of that nature. We could really see our way through clear to complete that.

The CHAIRMAN. What is the difference between our doing that and our giving you the money and you saving it until you are ready to do that?

Mr. SHELTON. Well, we could save it, but at $160,000 a year it would take us a long time to get enough——

The Chairman. No longer than us storing it up at $160,000 a year until it is big enough to build something.

Governor ATIYEH. I just wondered, Floyd, just briefly on that, is the port involved in the local budget law and are you restricted for funds carryover, or can it be done? Legally, I am talking about.

Mr. SHELTON. I cannot answer that directly, Governor. I would have to have it researched.

Mr. HERDER. We can save funds, but for no longer than a 1-year period.

The CHAIRMAN. Yes, I had forgotten that limitation.

You know, in drafting this legislation, we clearly did not mean to overlook ports. We just assumed that ports were so much a part of coastal development that you could not overlook them in the allocation of the money. We will clearly remedy that when we finally send the bill out to make sure that ports are listed.

But we were trying to draw a fine line between literally saying the money must be used for A, B, and C, and nothing else, and leaving it to some fairly broad degree of local discretion as to how they wanted to use it.

I know what you mean when you say you would like to have it more clearly directed to capital improvements. My misgiving about that is that may not be what every local government wants to do. I am not sure they ought to have to do that if they think they have some other purpose in mind for it.

Mr. SHELTON. I would agree with that, Mr. Chairman. I guess what I am referring to is I would like to see that area of capital infrastructure embellished or broadened so that within the context of what you are saying there can be local choices on what those allocations should be.

The capital infrastructure, particularly from my perspective sitting at the port and looking at the needs we have, would be more clearly defined and we could feel that over time we would be able to put some of this money directly into our economic analysis and directly into some of the piers, docks, and those types of construction that we need to do.

The CHAIRMAN. Let me ask you something because you mentioned the three major ports on the Oregon coast. There really are only half a dozen on the whole Pacific coast that have potential for world-class, deep-draft ports. We are so different from the Atlantic coast, with all of its little coves and inlets, where you can have deep-draft harbors in, I suppose, 500 places. Here you cannot.

How much would it take Astoria—how much money—to become a world—class port? At $160,000 a year, how many years are we looking at?

Mr. SHELTON. I think it would be beyond my tenure.

Well, that is a very good question. I think the way I would have to answer that is there is really three parts to the answer to that question—the bar, the rail, and the acquisition of new facilities here.

You have, as well as the Governor, been instrumental in working on two of those areas—the bar and the rail. That is, we need competitive rail service into the Astoria area, and we need the bar deepened.

We are moving on both of those fronts, and indeed have made significant progress in the last year and a half or 2 years. We have got substantial commitments from the Burlington Northern with regard to rail service in here and, as you know, we have now funded and are proceeding with an expanded study on the bar to look at the depths required to put 100,000-ton ships in here. That is very important and it is a State-Federal cooperative effort that is moving the port forward.

The port's responsibility or area that we have direct responsibility for is the terminal construction and building the infrastructure necessary to capitalize on these two facilities once they are in place.

We have done an in-house analysis, and there are really about three areas that we think are extremely important to the local area for development. That is our existing Port docks. They need substantial upgrading, substantial improvement and reconfiguration. As you know, we have signed with the ACT [Astoria Coal Terminal] group to develop our coal facility on piers 2 and 3 That facility alone would be a $40 to $50 million investment. That would be a private sector investment.

We also are looking at the Skipanon site, which is an extremely important area that has a large amount of land available, is very close to the river—about 8 to 10 miles from the river—and we have deep water immediately off of it. It is an important expanding point for the——

Governor ATIYEH. You mean the ocean?

Mr. SHELTON. Pardon me?

Governor ATIYEH. You meant "ocean."

Mr. SHELTON. I am sorry. Yes, I meant ocean. The other site is Tansey Point, which is even closer to the river and has natural deep water off of it.

We have done a quick analysis on that to see what we think would be the number of piers and facilities required in there, and we are looking at about the $75 million range that it would take to put all those facilities in place. If you were to give me a check today, I think we could do that under that budget.

That is not to say that is what we expect to have tomorrow, but that is what the final bill would be if we started today on it, I think, without inflation.

The CHAIRMAN. Without inflation.

Mr. Herder, let me ask you this. I have had phone calls from some local port officials who have had misgivings, first about their not being mentioned—that will be remedied—but also some feeling that if this money is not almost earmarked to ports, they are not going to get a fair shake if the money goes to the counties. Do you want to comment on that?

Mr. HERDER. Well, I think that all ports recognize that they are perhaps the lead agency that would be involved in offshore development, that their port districts encompass cities and major portions of counties. So, therefore, they should perhaps be addressed as the lead agency in the disbursement of money insofar as, perhaps, economic development, financial impact, and environmental, too.

Insofar as all of the ports being able to handle tankers, I think the trend is away from the tanker, from the tanker to the facility onshore. It is piped in. So, then, it is onshore development.

The impact of an onshore and offshore combination development is tremendous on a community and on a port district and on a State. You have a major movement of people and housing. It affects transportation and port development, of course, and every aspect of an economic impact. So that is why I think they probably feel, knowing that they are not a deepwater port, they have not recognized that storage facilities, pipelines, all that could be accommodated within their district.

I think that if a port were the agency to address the impacts, since they are directly involved with the development offshore, then all ports would be treated equally. There would not be a preferential treatment to a port that had a deepwater existing port to one that had a shallow water one.

Where the oil or gas resources are discovered, that is where the impact will take place. So it will be without regard to whether there is a deepwater port there at the time or not. They will make one if they have to have one.

The CHAIRMAN. What you are saying, in essence, is we are not limited by the five, six, or seven natural ports?

Mr. HERDER. That is correct.

The CHAIRMAN. Yes, but surely—I understand transporting liquids. But you are not talking about transporting—maybe you are—bulk cargoes in that same capacity, loading that offshore through some kind of slurry device, or whatever.

Mr. HERDER. Well, our present technology has not developed to that point yet. I think our present port accommodations are han-

dling the cargoes that we have to ship now. But that is not to say that down the line that sort of development—in a slurry process, pipeline process—might take effect in Oregon. I would be a little reluctant to think it would, considering the type of seas that we have along the Oregon coast.

The CHAIRMAN. The trouble we have with some of the firm foundations we build, anyway. Then you think of building a slurry foundation, and——

Mr. HERDER. Yes. I think the pipeline for gas and oil is realistic. But whether we can transport other materials and load a vessel offshore, I think that is not too realistic.

The CHAIRMAN. Governor?

Governor ATIYEH. As the testimony has developed and the requirements, for example, of the port are more specific divisions of dollars, or who is going to get it, what entity in this discussion—counties or ports or even economic development foundations within communities, because there is a very broad use of the money—I am just wondering, and maybe the Senator could react as well—I do not know, except generally understanding that each of us are different—"us," the States—and the political atmospheres are different, and I am thinking now very clearly of Washington with very little development up and down the coastline because of their geography, and California with a lot of it, much of it privately owned, and Oregon I think with an excellent distribution of certainly available ports and public communication.

Where I am really coming from is, would it not be better—and let me ask you to react—if I as a Governor would get together with all the various interest groups and sit down and begin to write our own plan, rather than try to write a plan in national legislation with the diversity that exists?

It appears to me—and probably you can react to this, Senator—that we are liable to put something in at our request that is going to foul up the whole bill somewhere else in the country, in Virginia or Maine, or somewhere else.

I will even suggest—certainly I would be willing to sit down with the entities even before this becomes law and figure out a formula where we could make distribution.

Floyd, in regard to your comment, I think you are right that $6 million is a lot of money, but the needs are so much greater that it may very well be that we could have some kind of a group analyzing the needs of the various communities and making uneven distributions at different periods of time, however not decided by a Governor, but by some entity we could put together that is in communication with the coastal communities.

The CHAIRMAN. Vic, I have seen enough unintended mischief caused in legislation by putting in a provision to take care of a particular problem, not realizing what other problems you were creating by doing it. There is nothing evil intended by it. It is accidental. You then spend years trying to undo it.

I am one of those people who like the concept of revenue sharing. The Federal Government has preempted the best tax sources in this country. The fact that we collect the money in Washington does not mean we own it. Or, I guess, if we do own it, there is noth-

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ing wrong with the policy of giving it to local governments with a relatively broad mandate as to how they choose to spend it.

By and large, local governments know their needs better than Washington, D.C., knows their needs. But Washington, D.C., has a better access to the money than local government does.

But there is still in Washington a significant group that follows the philosophy that we know better than you do how you should develop. And unless you, therefore, if we write legislation and put in very specific criteria, unless you follow that—which you probably would do to get the money—unfortunately, I have seen that—but it may not meet your needs.

Mr. SHELTON. Mr. Chairman, let me clarify what I am saying. I agree with you, Governor, and we are not suggesting major revisions in the bill at all. Quite the contrary. We like the bill; we like it the way it is.

I think the idea of sitting down with the local people in the local areas, wherever they may be, and resolving the issues is a very good one and a very sound one for our democratic process, and one that we do support.

What I am suggesting is that within the bill we clarify somewhat the area of capital infrastructure. Reading the bill all the way through, there is a heavy skew that leaves capital infrastructure—if we are sitting at the table developing our local allocation, I guess we would like to be slightly more weighted is what it boils down to.

The CHAIRMAN. Any other questions, Vic?

Governor ATIYEH. No, I do not.

The CHAIRMAN. Fellows, thank you very much.

Next we will take Jim Ross, the director of LCDC. If we adopt Mr. Donaldson's formula, you will get part of the money.

STATEMENT OF JAMES ROSS, DIRECTOR, DEPARTMENT OF LAND CONSERVATION AND DEVELOPMENT, STATE OF OREGON

Mr. Ross. Thank you, Senator Packwood, Governor Atiyeh.

I think it is only fair to warn you that as I was driving over this morning reading my prepared testimony through the spokes of my steering wheel I fell asleep three times. Not wanting to chance whether that was lack of sleep or boring testimony, I think I will take your suggestion and set the written testimony aside and share with you a few observations, if I might.

The CHAIRMAN. Do you trust the written testimony sufficiently to have us enter it in the record?

Mr. Ross. Yes, I do.

The CHAIRMAN. All right.

Mr. Ross. This is not a debate today, either here or in Congress, in my opinion, on whether or not there is a national interest in managing and developing coastal resources. The issue that we have before us today in S. 2792 is quite simply twofold: One, a matter of equity—Governor Atiyeh covered that quite well, and I will touch upon it briefly in a moment. And, second, the question of how to best carry out competing national interests.

The question of equity. Unlike all other resource extraction programs inland on Federal land, where Outer Continental Shelf activity is concerned the adjacent non-Federal area the coastal shore-

land, must absorb the population increases attendant with that activity, the increased demands on public facilities and services, the obvious and unpredictable environmental effects that may occur, and an assorted group of other impacts that may be caused by the extraction activity.

On most of the other mineral-related programs in terms of revenue being shared back with the States, there is a severance tax option. That is not the case relative to the Outer Continental Shelf.

By not being able to tax or in any other way acquire any revenue from the activity that causes rapid growth, State and local governments—and I would underline "local government"—lose a key potential source of revenue to finance the required facilities and services, and to plan for and mitigate the impacts attendant with that activity.

The second question of competing national objectives and how to carry them out, the Federal Government cannot expect State and local—and again I will underline "local government," and I am including ports—to implement the various national objectives such as increased energy activity or management of critical natural resources without some Federal participation other than directives.

We can expect in the neighborhood of $11 to $15 billion in revenue each year over the next few years from Outer Continental Shelf activity. We can couch that differently and say $4 to $5 billion of increased revenue to the Federal Treasury based on Secretary Watt's 5-year leasing schedule.

The CHAIRMAN. I would say in fairness that very few people that I have talked with think that is a realistic projection of the amount of income that is going to come in. I know that is what is in his plan, but the Office of Management and Budget is not counting on that much money coming in.

Mr. ROSS. We could cut it in half or in one-quarter and I think my point would still be the same, and that is, that a percentage of that, and particularly a percentage of the increased amount, is a good investment in what Governor Atiyeh called the partnership between the Federal and State governments.

The CHAIRMAN. I might say—just as an aside to those who heard my comments this morning about executive budget-making—this is one of the things that the executive branch will do in its efforts to make its future balances look good. They will make an estimate of how much money is coming in from the Outer Continental Shelf, and it almost assumes that every exploratory well is going to hit and indeed the leases are going to be sold for the highest conceivable figures. It just does not turn out that way.

Mr. ROSS. That is very misleading. We can go back and look at what is known, though, in terms of revenue in past years and I believe it was around $10 million this last fiscal year.

Again, the question of an investment in the partnership, a percentage of that revenue will help insure that those competing national objectives and national interests are, in fact, met and carried out at the State and local level.

The $64 question—and I think the one you would probably most like me to address, would be what will the dollars be used for in Oregon as it relates to the agency I administer.

The $2 million bonus that is part of this bill for any State that has an approved coastal management program is roughly equivalent to the amount of money Oregon has been receiving for the past 4 or 5 years under the Coastal Zone Management Act of 1972.

Oregon's coastal management program is based upon essentially two things: a series of State agency statutes, and, perhaps more importantly, the comprehensive plans of local government that have been adopted consistent with some State standards.

If you look out the window at the estuary and its adjacent shoreland here in the lower Columbia River, there are a number of local, State, and Federal agencies that have some say as to how we are going to manage that land and water area—I would guess probably 30 to 35 different governmental entities here. In Yaquina Bay, for some reason, as Bill Herder would point out, there are 42.

The point I am making is that Oregon's coastal management program, by virtue of the fact that there is a local comprehensive plan that has been developed to meet the interests of not only the people locally but of State agencies and Federal agencies as well, is a plan that the Federal Government under Federal constituency, must follow.

We have invested in one public document that represents the public's interest in how we are going to manage our land and resource uses and meet some of those competing national objectives. We are just now embarking upon the period in Oregon when we are beginning to implement those plans once they have been developed.

It is critical that the funding that would come to the State of Oregon, be used for the administration of the State's coastal management program and, second for the administration of some of the other State agencies involved, and, last, passthrough—to local government to insure those plans are implemented.

The CHAIRMAN. Do you have any problem with Mr. Shelton's suggestion that a fair portion of the passthrough be almost quasi-earmarked for capital development?

Mr. Ross. I have no problem with that at all. When I was chairman of the National Coastal States organization in fact that was one of the things we envisioned when we embarked on this notion 2 or 2½ years ago—that some of the funding would specifically be used for that type of activity. I am not sure it needs to be earmarked, but I do not necessarily have a problem. I would want to see the language that was used, of course.

Two other brief comments—one, the question of the 40 percent earmarked for local government. I think I have been on the record on that, and from the beginning I have strongly supported it.

Second, I would strongly support a direct inclusion of geological and geophysical surveys for oil and gas as criterion for enhanced funding. I do not believe that is one of the criteria at the moment.

The CHAIRMAN. It is not, and that is a fair criticism, because the very fact that you are going out and looking has an effect, whether you find it or not.

Mr. Ross. We can document that here in Oregon with, I believe it was, the Norwegian ship *Olga* that off southern Washington and northern Oregon cut the lines of 1,008 crabpots a couple of years ago. Those crabpots, I guess, go on fishing until they fill up or sand

over. So, it is not just the economic impact to the fishermen from their lost gear and delay in getting new gear and getting back out, but it is also the impact on the resource.

The other point I might mention, the question of earmarking dollars to various functions at the State level—dedicating of funds. I believe in Senator Weicker's bill, S. 2794l, that is included.

The State of Oregon would probably prefer that we be able to have maximum flexibility with the Governor making those decisions.

The question that you perhaps need to review is other States, like Texas or Georgia or Virginia, some of the States that do not have coastal management programs and so forth, and should there be any form of earmarking to insure that some of those dollars do help carry out some of those competing national objectives I have mentioned.

The CHAIRMAN. One of the frustrations—and it is not limited to this bill—by and large there are few things I would not trust Oregon better to decide than the Federal Government with the moneys that come through. I have misgivings about other States.

It turns out that Senators from those States have misgivings about Oregon, but their State is all right. I have never figured out a way yet to devise the formula that will satisfy me and them, and yet accommodate the differences.

Mr. Ross. I guess it would take a benevolent dictator.

The CHAIRMAN. There are those who do not call me "benevolent."

Mr. Ross. Senator Packwood, that concudes my testimony. I would be happy to respond to questions.

The CHAIRMAN. Do you think if we passed the money through to the local governments they will use it wisely?

Mr. Ross. I was not pausing slightly because I was wondering as to whether they would use it wisely. I was pondering on the actual mechanism in the bill for which that money would be passed through.

The money, as I understand it, would actually—there would be a role for the Governor to play in sorting out the units of government eligible. All 40 percent would go, but there would have to be a decisionmaking process in determining where it goes. I think that is where one determines the merit of the proposals.

There is always, in any program—whether it be State money or Federal money, or even money I give to my son—slippage, so to speak, in the use of that money.

The CHAIRMAN. The question is whether he uses it wisely?

Mr. Ross. I guess that is a way of saying it. I would say that is not that much of a concern here in the State of Oregon.

The CHAIRMAN. It frankly is not to me, because if you are going to say they do not use it wisely, then you are saying somebody else is wiser and they will know how to spend it better, and I simply am not convinced of that.

Will local governments make mistakes? Sure they will. Does the Federal Government never make mistakes? The only difference is when we make a mistake and we impose it on all the governments of this country, it is a colossal mistake that is extraordinarly expensive. If some local governments make mistakes, others do not,

and at least it is not as cavernous a mistake as the Federal Government making one.

Mr. Ross. Senator, if we are going to make mistakes, let us make them in small increments rather than large ones.

The CHAIRMAN. Jim, I do not have any other questions. I appreciate you driving down.

I can vouch for the fact he was in Salem last night; I saw him at a function. I flew down with the Governor and there was not room in the plane for Mr. Ross, so he must have left at—what time this morning?

Mr. Ross. 5 a.m.

The CHAIRMAN. 5 a.m. Thank you for coming down.

Mr. Ross. Thank you, Senator.

The CHAIRMAN. Now you can drive down to Coos Bay and testify down there.

Mr. Ross. No. I am going to a meeting in Tillamook. I will miss you in Coos Bay.

The CHAIRMAN. All right. Thank you for coming.

[The statement follows:]

STATEMENT OF JAMES F. ROSS, DIRECTOR, DEPARTMENT OF LAND CONSERVATION AND DEVELOPMENT

Senator Packwood, Governor Atiyeh, it is indeed a pleasure to speak in favor of S. 2792, the Ocean and Coastal Development Impact Assistance Block Grant Bill. As director of Oregon's coastal management agency and as a part chairman of the Coastal States Organization I am eminently familiar with the need to share revenues derived from outer continental shelf oil and gas leasing with the coastal states.

The sharing of leasing revenues was last debated as part of the 1978 amendments to the Outer Continental Shelf Lands Act. The Coastal Zone Management Act of 1972 had been amended in 1976 to include a Coastal Energy Impact Program. This program was designed to mitigate the adverse impacts of coastal energy development through federal grants to affected states. It was also designed to weaken the arguments in favor of a more comprehensive revenue sharing program. However, by 1978 it had become obvious that low appropriation levels had rendered the Coastal Energy Impact Program a poor substitute for outer continental shelf receipt sharing. A receipt sharing amendment to the Outer Continental Shelf Lands Act was overwhelmingly approved as a substitute bill on the floor of the House of Representatives but was removed in the subsequent conference committee.

The Administration has recently adopted a greatly accelerated five-year plan for oil and gas leasing on the outer continental shelf. At the same time, the Administration is supporting the termination of funding for coastal zone management, coastal energy impact mitigation, Sea Grant and fisheries research and development. The Administration expects the coastal states to continue in a federal state partnership for both the management of ocean and coastal resources and the expediting of outer continental shelf oil and gas leasing activities. At the same time, the Administration is eliminating all federal financial support. Given state budget cuts, most state coastal management agencies would be hard pressed to fulfill their existing responsibilities. State cooperation with federal agencies for the purpose of ocean and coastal resources management would be seriously jeopardized by the Administration's budget. It only makes sense, financially as well as politically, that a percentage of the increased revenue from outer continental shelf oil and gas activities be returned to the states to enable them to fulfill the expectations of the federal government. A suvey conducted by the Coastal States Organization determined that 60 to 80 percent of the coastal management efforts in this country would be terminated if the Administration's funding proposals were followed.

Both S. 2792, which is being discussed today, and S. 2794, a related bill introduced by Seantor Weicker, would enable Oregon to continue its coastal zone management responsibilties. Of the two bills, I greatly prefer S. 2792. The basic formula of $4 million for states without coastal zone management programs and $6 million for states with federally approved coastal zone management programs is a highly desirable feature which recognizes the national interest in the wise management of

coastal resources. The Oregon Coastal Management Program, which has a strong local government component, could serve as the vehicle for the minimum 40 percent mandatory pass-through of funds to local governments. The minimum 40 percent local government share would consist of a portion of the basic block grant, as well as a portion of the bonus dollars available to Oregon because of the presence of an approved coastal zone management program. These bonus dollars would be provided to local governments to implement the plans of coastal jurisdictions which have been acknowledged by the Land Conservation and Development Commission. These same plans will be the basis for captial improvement programs which could be financed in part from the same block of funds. Local jurisdictions impacted by coastal energy activities would also be eligible to receive funds to construct public facilities which were consistent with their plans.

The formula in S. 2792 for enhancing the basic block grant amounts is equitable, but I would urge the inclusion of a maximum grant amount. The formula has the potential of allocating hundreds of millions of dollars to states like Texas, Louisiana and Alaska. I would suggest $40 million, 10 times the minimum, as a reasonable maximum share. I would also urge the inclusion of geological and geophysical surveys for oil and gas as a criterion for enhanced funding. These surveys are authorized by the Outer Continental Shelf Lands Act, and survey ships have been responsible for significant disruptions of commerical fishing, loss or destruction of fishing gear and the degradation of living marine resources. In 1980, a survey ship operating off southern Washington destroyed over $100,000 worth of Dungeness crab pots. Several Astoria area fishermen were affected by this incident.

Although S. 2792 is the preferred bill, some features of the Weicker bill are highly attractive. The formula designations for coastal zone management, Sea Grant programs and fisheries research and development as described in Section Four of S. 2794, which would ensure that all eligible programs were funded at a proper level, should be incorporated into S. 2792. The National Coastal Zone and Fishery Management and Research Plan in Section Six of S. 2974 would ensure coordination among the funded programs and should be included in the final Senate bill. Clearly, the two million dollar bonus provided by S. 2792 for states with approved coastal zone management should be designated for the funding of state coastal zone management programs. The remaining funds should be allocated between Sea Grant, fisheries programs, local government programs and captial improvement programs. Also, since all these programs are presently adminstered by the Commerce Department, the Secretary of Commerce should be required to develop, in cooperation with state coastal management agencies, a plan to ensure federal coordination with the various eligible program elements.

S. 2792 or a related bill will restore an effective state/federal partnership and will ensure the wise management of ocean and coastal resources for generations to come. I thank you for this opportunity to testify.

The CHAIRMAN. Next let us take Roger Berg, representing the county of Clatsop. Good morning, Commissioner.

STATEMENT OF ROGER BERG, COMMISSIONER, CLATSOP COUNTY BOARD OF COMMISSIONERS, ASTORIA, OREG.

Mr. BERG. Good morning, Senator.

I have a prepared statement and will follow that generally, commenting briefly in certain spots.

The CHAIRMAN. Thank you.

Mr. BERG. My name is Roger Berg. I am a Clatsop County commissioner and I represent the board of county commissioners in this testimony. You will also hear some of our feelings on this matter this afternoon in Coos Bay when the OCZMA testifies for all of the coastal area.

Clatsop County, located in the northwest corner of Oregon, has the unique situation of having the Pacific Ocean on the west and the Columbia River, with the Columbia River estuary, on the north, which also means it is an interstate concern. We share this estuary with the State of Washington.

With these coastal resources, Clatsop County is extremely interested in the concept of sharing the Outer Continental Shelf receipts.

The Coastal Zone Management Act, which mandated certain development and protection of the local resources, now covered in planning goals 16, 17, and 18, creates a problem—or an opportunity, shall we say—for the local governments to fulfill these mandates. This funding will give a stable—partially stable—source of money to perform this.

It appears to this board that the sharing of Outer Continental Shelf receipts is the most equitable means of solving this funding problem. In this light, we have reviewed the two bills under consideration. It is our unanimous decision that S. 2792 is the most satisfactory for the following reasons.

With a $6 million guarantee to each State, it assures a basic fund for continued participation at all levels of activity. The distribution of a minimum of 40 percent of each State's grant to the local coastal communities allows flexibility for each local government to manage its own unique requirements.

We feel that the bill does provide guidelines for the application of these moneys that are suitable to protect the existing programs, particularly on the State level.

Our concern with S. 2794 is the narrow limitations. It lacks the capability of responding to new or changing situations that will eventually develop in the future.

Clatsop County's Board of Commissioners, therefore, reiterates its support for S. 2792.

Based on this morning's testmony and further review, we have shared the concern that ports were not specifically mentioned, but that has been covered so many times it is not particularly of any concern now.

As to the development of the formula, we feel it is equitable because, realizing it is a Federal bill rather than a State bill, we would support Governor Atiyeh in his program. Any time he desires to start that, we would be glad to participate in coming up with the mechanics of handling the distribution of the money and how it would be distributed.

The CHAIRMAN. You do understand there is no guarantee the money will go to Clatsop County?

Mr. BERG. Yes.

The CHAIRMAN. It will go to the coast, but you are going to have to compete with Tillamook County and Curry County and so forth. But you are perfectly willing to do that?

Mr. BERG. Yes. Naturally we would like to have it handed to us, but we realize that is an impractical solution no matter how you go at it. We have no quarrel with competing. If we have projects that are worthwhile, we feel we can compete with anyone.

Just a couple other comments. One thing we did note, and it is probably the intent of the bill, that this speaks primarily of oil and gas moneys. We feel possibly the intent was there, but there was no direct mention made of underseas mining and minerals and how this would be handled. This is a future point. There is very little, if any, activity now. But it will come. We feel it should be included.

The CHAIRMAN. It is a valid point.

Mr. BERG. With that, we would conclude our testimony and thank you for the opportunity to testify before you today.

The CHAIRMAN. Commissioner, thank you very much. I have no other questions other than that one I asked. Thank you.

Next, let us go to Mike DeLapa, executive director of the Columbia River Estuary Study Task Force.

Good morning.

STATEMENT OF MICHAEL D. DeLAPA, DIRECTOR, COLUMBIA RIVER ESTUARY STUDY TASK FORCE, ASTORIA, OREG.

Mr. DELAPA. Good morning. My name is Mike DeLapa. I am the director of CREST, the Columbia River Estuary Study Task Force.

CREST is a bi-State estuarine management and research organization of the counties, cities, and port districts along a 45-mile stretch of the Lower Columbia River. Since 1974, CREST has coordinated the work of local, State, and Federal agencies to manage wisely the resources of this 120,000-acre estuary, the Nation's ninth largest.

I would like to thank you for the opportunity to comment on the proposed Outer Continental Shelf lease revenue bills which your committee is considering. I have prepared written testimony to submit for the record, and I hope you have copies.

At this point, I would like to highlight those areas of interest and concern to CREST and, I suspect, other local governments in Oregon and across the Nation. I think CREST is a good example of an organization which developed as part of the State and Federal coastal zone management programs.

CREST strongly supports the concept of sharing Federal Outer Continental Shelf revenues with local and State governments as a mechanism to further the national, State, and local interests in coastal zone management. Mr. Ross, the Governor, and others have presented compelling reasons for sharing these revenues. They can provide funding that is necessary to maintain State and local coastal zone management programs, as well as other fishery and sea grant programs.

The coastal zone management programs were developed in response to the Coastal Zone Management Act of 1972. As reauthorized last year, the act identifies a variety of national policies for managing coastal resouces, yet the coastal States organization has estimated that without Federal funding, 60 to 80 percent of State program staffs will be lost, and this is at a time when coastal development is increasing and pressure is growing on the coast for more activity. The effects of the loss of Federal funding at the local level would be at least of this magnitude.

Over the past 8 years, the Federal Government has made a substantial investment in the CREST planning program, as well as other State coastal zone management programs nationwide. Federal funds will continue to be important to us as we work to implement the regional plan for the estuary. It is important to remember that this plan, like other local plans in Oregon and Washington, was developed in response to the Coastal Zone Management Act and State coastal zone management programs. Local govern-

ments have assumed new legal, technical, and administrative responsibilities which will be costly to fulfill.

I believe the CREST plan provides a balance between conservation and development in the estuary, and will assure that development proceeds much easier.

We have reviewed all the bills and are very impressed with the Outer Continental Shelf revenue sharing concept. Your bill, by providing direct funding of $6 million to States with approved coastal zone management programs, would assure predictable and sufficient funds to maintain the Washington and Oregon coastal zone management programs, and would guarantee that States could plan for impacts from Outer Continental Shelf projects and initiate needed capital improvement programs.

We also strongly support the minimum 40-percent allocation of Outer Continental Shelf revenues to local governments. Since local governments are most directly affected by Outer Continental Shelf activities, this funding will insure that they can respond to the social, economic, and environmental demands such activities create.

We would, however, like to be sure that the States use Outer Continental Shelf funds for coastal activities and, therefore, we support the provisions of S. 2794, the Weicker-Tsongas bill, which earmarks funds for coastal programs such as coastal zone management, sea grant, and fisheries.

The CHAIRMAN. Let me ask you this. I want to make sure I understand. If you were sure that the bill that Senator Stevens and I have introduced guaranteed that the funds went for coastal purposes, would that be sufficient? Or do you really want it even more narrowly circumscribed than that?

Mr. DELAPA. Well, I think our major concern is that even if it went to coastal programs, you would still have a scrambling each year in the legislatures for the various programs. I think the provisions of the Weicker-Tsongas bill that lay out a percentage and a range of percentages gives some opportunity for at least a predictable level from year to year.

That is one of the biggest complaints we have had with the Federal coastal zone management program—that from year to year you are never really sure what your funding level is going to be, and it is very difficult to predict that.

The CHAIRMAN. But you are much surer under the approach of Senator Stevens and I than under the Weicker approach because his depends upon annual appropriations. You can get 40 percent of nothing under that bill.

Mr. DELAPA. Right. We do not support that provision.

The CHAIRMAN. All right.

Mr. DELAPA. With State legislatures experiencing extreme budget constraints, we are afraid that without some limitations on the use of Outer Continental Shelf revenues programs unrelated to coastal needs or Outer Continental Shelf development might be funded. This may not fulfill the national interest in coastal zone management as expressed in the Coastal Zone Management Act.

Another aspect of S. 2794 that merits your consideration is the establishment of a national coastal zone and fishery management and research plan. This would assist fishermen in the Pacific

Northwest who are currently suffering from uncoordinated Federal, State, and regional fishery policies.

In our opinion, it would also be useful to consider a means to coordinate State coastal zone management programs with State sea grant programs. This could materially improve the management of coastal resources.

On behalf of the CREST Council, I would like to thank you, Senator Packwood, for initiating such a progressive Outer Continental Shelf revenue sharing bill, one that is sensitive to the needs of local and State governments and fulfills the commitment of the Federal Government to wisely manage coastal resources.

I would also like to thank the Governor for his continued support of the State's farsighted land use planning and coastal zone management programs. Both of these programs, by protecting the State's fisheries, forest areas, and argicultural lands from unplanned growth, insure a stable economic base and will bode well for the State's economic future.

I appreciate the opportunity to be here and I would be happy to answer any questions.

The CHAIRMAN. Let me ask you what your fear is about the Stevens-Packwood approach. The money will be used too much for development and not enough for environmental protection?

Mr. DELAPA. I do not think that is my concern exactly. It is more that by providing a block grant without any allocation formula, we would be—representing the CREST interest—in the position of year to year not knowing how much and where it would go as far as the State. I think our concerns in the past have been very similar. We would like to see at least a certain amount set aside as a minimum level in various areas of coastal management.

The CHAIRMAN. I have got it. Thank you. I have no other questions.

Mr. DELAPA. Thank you.

[The statement follows:]

STATEMENT OF MICHAEL D. DELAPA, DIRECTOR, COLUMBIA RIVER ESTUARY STUDY TASK FORCE

Good morning Senator Packwood. My name is Michael DeLapa. I am the direct of CREST, the Columbia River Estuary Study Taskforce.

CREST is a bi-State estuarine management and research organization of counties, cities, and port districts along a 45 mile stretch of the lower Columbia River. Local governments formed CREST in 1974 in order to gain a better understanding of the complex ecological processes operating in the estuary and to resolve conflicts with State and Federal agencies over the development and conservation of estuarine resources. To meet these goals, CREST has compiled and analyzed information on the physical, biological, economic and cultural characteristics of the Estuary. In 1979, CREST completed a regional land and water use plan. It designates areas appropriate for port development and navigational activities such as dredging and dredged material disposal, as well as areas that will be preserved in a natural state and others that might be restored. In 1981, CREST sponsored an environmental mediation process that resolved remaining conflicts over estuarine development. The CREST Plan has now been incorporated into local comprehensive plans. The Hammond and Astoria plans were recently approved by LCDC.

After the CREST plan was completed, local governments formed a new organization, which retained the name CREST, but was structured to implement the plan. CREST's staff of estuarine scientists and planners now provides member governments with technical assistance and information services necessary to carry out their plans and expedite the permit process. CREST is also involved with completing the Columbia River Estuary Data Development Program (CREDDP), an interdisci-

plinary applied ecological research program designed to provide information useful in making land and water use decisions.

The goal of CREST is to improve the economy of the region, while conserving valuable natural resources. In the Columbia River Estuary, economic and environmental health are closely related. The need to protect the fish and wildlife habitats upon which the major fishery and tourism sectors of the region's economy are founded must be balanced with the need for water-related industrial sites desirable to diversify the economic base. Coastal zone management funds have assisted us to achieve this balance, which has involved coordinating the work of a half dozen Federal agencies, several Washington and Oregon agencies, and the counties, cities, and ports on the estuary, all of whom have different goals, policies and legal mandates. We have had to confront and resolve many complex environmental and institutional problems. CREST is a successful example of a coordinated partnership between local, State, and Federal governments that has developed as a result of coatal zone management.

The Federal Government, as well as local and State governments, has made a major investment in coastal zone management and in CREST. Since 1976, CREST has received over $600,000 in Federal grants through the Oregon and Washington coastal zone management programs. The complex problems in estuarine management, especially in the area of permits, are not about to go away, and will become even more difficult if, as planned, Federal support for coastal zone management is eliminated. The effective implementation of the CREST regional plan will involve continued coordination of local, State and Federal planning activities and the expeditious review of permits. CREST has developed the skills and competence to carry out this work which, I believe, will be very important to the economic development of the region.

With the bills you are considering today, the Federal Government has a unique opportunity to insure that needed support for CREST and other coastal zone management activities will be available. It will continue to be in the national interest for the Federal Government to assist local jurisdictions and the States to exercise their responsibilities in the coastal zone. By sharing with them the revenues derived from the Outer Continental Shelf, economic growth and continued liveability in our coastal areas will be possible. The congressional records we have reviewed show that there is growing support for the revenue sharing concept, based on the understanding that coastal States may be more likely to support Federal leasing programs if they derive some benefits from them. This revenue sharing policy is used for mineral, timber, and grazing leases, and it is logical to extend it to OCS oil and gas leases. I hope that Congress and the administration will be convinced to support it.

CREST has reviewed S. 2792, the bill you and Senator Stevens introduced, which is also supported by Senator Gorton. We have also studied S. 2794, the bill Senators Weicker and Tsongas introduced. We offer the following recommendations for developing a grant program that is most responsive to furthering the national, State, and local interest in coastal zone management. We strongly support the $4,000,000 guaranteed minimum to coastal States and the $2,000,000 bonus to States with federally approved coastal zone management programs as proposed in S. 2792. These minimum levels assure predictable and sufficient funding to the Oregon and Washington Coastal Zone Management programs, and will enable ports and local governments to initiate needed capital improvement programs. We prefer the direct funding arrangement to that proposed in the Weicker bill, which would require funding through the yearly and unpredictable appropriations process. We also strongly support the 40-percent minimum allocation of these revenues to local governments. Local governments will be most directly affected by OCS activities, and it would be reassuring to know that they would be guaranteed a fair proportion of the OCS revenues.

S. 2792 does not, however, go as far as we would like in assuring that the States use their portions of OCS revenues for ocean and coastal resource managment and development. With State legislatures experiencing extreme budget constraints, we are afraid that without some limitations on the use of OCS revenues, programs unrelated to coastal needs or OCS development will be funded. S. 2794 introduced by Senators Weicker and Tsongas would specifically designate a percentage of funds to eligible programs including coastal zone management, Sea Grant, and fisheries management. We think that the national interest would be best served if the OCS revenues were specifically allocated for these programs.

A second aspect of the Weicker/Tsongas bill that merits your consideration is its establishment of a national coastal zone and fishery management and research plan. The intent of this plan is to integrate the existing regional fishery management plans and coordinate their implementation with State coastal zone manage-

ment programs. This would assist fishermen in the Pacific Northwest who are currently suffering from uncoordinated Federal, State, and regional fishery policies. In our opinion, it would also be useful to consider a means to coordinate state Sea Grant and coastal zone management programs. This could materially improve management of coastal resources.

On behalf of the CREST Council I would like to thank you, Senator Packwood, for initiating such a progressive OCS revenue sharing bill, one that is sensitive to the needs of local and State governments and fulfills the committment of the Federal Government to manage coastal resources wisely. I would also like to thank Governor Atiyeh for his continued support of this State's far-sighted land use planning and coastal zone management programs. By protecting the State's fisheries, forest areas and agricultural lands from unplanned growth, these programs insure a stable economic base and bode will for the State's economic further.

I have appreciated the opportunity to appear here today, and hope that my comments prove helpful to you.

The CHAIRMAN. Now let us move on to the State of Washington. We have Donald Moos and Jerry Gillaland.

I appreciate your being patient and waiting. I have seen you sitting here all through the hearing, and you have been very polite. I appreciate it.

Mr. Moos, why don't you go first.

STATEMENT OF DONALD W. MOOS, DIRECTOR, WASHINGTON STATE DEPARTMENT OF ECOLOGY, OLYMPIA, WASH., ACCOMPANIED BY JOE WILLIAMS, COASTAL ENERGY IMPACT PROGRAM MANAGER

Mr. Moos. Thank you, Senator Packwood. I want to first of all thank you and Governor Atiyeh, not for just the opportunity to be here today but for the leadership you have taken on this subject, and Governor Atiyeh's excellent support and good suggestions in the areas that he brought out this morning.

The CHAIRMAN. You are aware also that Senator Gorton is not only on the Commerce Committee but he is a supporter of this?

Mr. Moos. Yes, and I appreciate Senator Gorton assisting in my being able to be here today. I look forward to seeing him. He was my seatmate in the legislature for a good many years.

I have had the opportunity in my career to head three agencies in the State, and I was thinking as I was listening to the testimony—particularly Governor Atiyeh's—that in all of those experiences I have had excellent cooperation and, really, a partnership with my counterparts in Oregon. I think probably more than anything I appreciate the leadership that Oregon has taken in environmental concerns, and this is just another example of your efforts.

Good morning. My name is Donald W. Moos. I am director of the Washington State Department of Ecology and I am Governor Spellman's appointed representative on the Outer Continental Shelf policy committee. I am making this statement on behalf of Governor Spellman and the State of Washington.

I am accompanied here today by Joe Williams. Joe, to my right, is our coastal energy impact program manager and has had wide and broad experience not only in the Outer Continental Shelf experiences but certainly has watched the congressional legislation as it moves along.

As I finish my testimony I would probably be able to make a couple of comments on local distribution of some of the opportuni-

ties we have taken advantage of in Washington, and feel free to question Joe.

In Washington, as in other States, citizen support for environmental protection continues to be a very important priority. Among my responsibilities as the administrator of the Shorelines Management Act, which was approved by the voters of Washington State in 1971, and since then, when Washington experienced its greatest period of growth, we developed a coastal zone management program which provides a reasonable balance between development and environmental concerns.

During the past 8 years, the department of ecology has received nearly $11.8 million in coastal zone management administration funds, and $1.9 million in coastal energy impact funds. Grants of between $1.5 and $2 million annually have been used by State and local governments to carry out the responsibilities for management of the coastal zone in our 15 coastal counties.

The grants to local government support the administration of the State Environmental Policy Act, the Shorelines Management Act, and various other waterfront, redevelopment, and conservation activities.

Naturally, we have been carefully following the progress of the Outer Continental Shelf revenue sharing because its enactment would enable the State and local governments to continue with this highly effective coastal program.

Currently there are problems in developing a variety of onshore facilities in Washington in order to accommodate emerging Federal programs and national needs. One example: The department of ecology is reviewing proposals for coal export facilities, strategic mineral processing, crude oil transshipment, and Outer Continental Shelf rig fabrication.

While these projects have been declared to be in the Nation's interest, they will nevertheless require careful review and planning at State and local levels. Without Outer Continental Shelf revenue sharing, we are concerned that our ability to conduct such efforts will be hindered and that unwarranted environmental damage will result.

It is particularly disconcerting to note that the administration's decision to terminate Federal funding for coastal programs coincides with the Department of the Interior's dramatic acceleration and coastal zone in 15 counties. The grants to local government support the administration of the State Environmental Policy Act, the Shoreline Management Act, and various other waterfront redevelopment and conservation activities. Naturally, we have been carefully following the progress of Outer Continental Shelf [OCS] revenue sharing because its enactment would enable the State and local governments to continue with this highly effective coastal program.

It is particularly disconcerting to note that the administration's decision to terminate Federal funding for coastal programs coincides with the Department of Interior's dramatic acceleration and expansion of the Outer Continental Shelf oil and gas lease program.

Through our Outer Continental Shelf participation, we have expressed concerns about the impact of the Department's revised

Outer Continental Shelf program on the valuable resources of the Pacific Northwest, namely the potentially adverse effects of offshore hydrocarbon exploration, production, and transportation on our anadromous fisheries.

Other resources common to the Pacific States that could be jeopardized if drilling and development are conducted without proper safeguards include marine mammals and sea birds. Those species are known to migrate to frontier waters that are scheduled for leasing. Actions to mitigate those impacts could be developed if Federal funding for coastal and marine programs is continued.

To substantiate this position, I would like to cite an example of how the State of Washington used coastal zone funding in order to resolve an Outer Continental Shelf-related conflict, and this was alluded to just briefly earlier.

In December 1980, an offshore seismic survey vessel ran afoul of approximately 1,200 crabpots along the Washington coast. That unfortunate incident caused an economic hardship to State fishermen, whose gear loss was in excess of $140,000, not including their economic opportunity costs. The State, too, was adversely affected. An estimated 5 percent of the State—managed dungeness crab resource was rendered irretrievable by the now-derelict pots.

Determined to prevent such incidents from occurring in the future, the Washington State Departments of Ecology and Fisheries worked with the Minerals Management Service of the Department of the Interior in order to develop improved permit notification and coordination procedures.

The resultant memorandum of agreement, signed in June of this year, has been enthusiastically received by commercial fishermen, seismic survey operators, and State and Federal resource managers. That agreement, the first of its kind in the Nation, was reached only after considerable groundwork was done by members of our department with funds from the coastal energy impact program.

I understand the State of Oregon will be entering into a similar memorandum of agreement with the Minerals Management Service.

Here is more evidence. With coastal zone management funding, Washington State is currently conducting field surveys in order to identify coastal States not encumbered by environmental constraints. That endeavor, which again minimizes conflicts early in the process, is necessary for the proper siting and efficient permit administration of future Outer Continental Shelf support activities such as supply bases and pipeline systems. We fully intend to share the results with the Department of the Interior in an effort to augment their studies and coordinate the Outer Continental Shelf planning process.

Washington State is an attractive location for Outer Continental Shelf rig manufacturers. Situation between two Outer Continental Shelf frontier regions of Alaska and northern California, our State—and certainly your State—offers convenient sites for onshore facilities. Historically, Washington has served as the major support base for mineral exploration ventures in Alaska, supplying, among other things, modules for the Trans-Alaska pipeline and North Slope fields.

Drilling platforms operating off the California coast also contain components fabricated in Washington. In recent years, there have been many proposals to construct large-scale rig yards in the State. A major oil company is currently considering two sites in Washington for the construction of custom steel jacket platforms for the deep waters off southern California.

As the Department of the Interior proceeds with its accelerated and expanded program, we anticipate additional proposals.

Water dependent uses can and should be accommodated here in the Northwest. Continued coastal zone management funding will prove instrumental in providing the proper balance between new and expanded industry and the protection of our natural resources.

At Grays Harbor, for example, coastal zone management has played a major role in the development of the Grays Harbor estuary management plan, which incorporates the desires of the estuary's various interest groups. That plan offers a high level of permit predictability to project sponsors.

Because of that coastal zone management effort, the issuance of necessary permits for an Outer Continental Shelf rig yard at certain designated sites in Grays Harbor should not prove difficult or time consuming.

The transportation of crude oil produced from the Outer Continental Shelf is another issue directly involving Washington. I am referring, of course, to the renewed proposals by the Northern Tier Pipeline Co. to construct a crude oil marine terminal at Port Angeles and an accompanying 42-inch pipeline through our State. The company has stated its intention to ship large volumes of Alaskan and Outer Continental Shelf oil after the fields are developed and as the Prudhoe Bay reserves decline later in this decade.

The pipeline project carries with it substantial risks of a pipeline rupture or other accident. Since the Governor's rejection of the Northern Tier application on April 8, 1982, the State's energy facility evaluation council has agreed to conduct a potential siting study to determine if such risks can be reduced to acceptable levels.

The alternative land route now proposed by Northern Tier would pass through six Washington coastal counties as it traverses approximately 160 miles around Puget Sound. Even with the new route, there could be some risks that jeopardize natural resources.

Considering the interstate nature of the project, it seems appropriate for the Federal Government to provide funds for necessary project review and planning for mitigation. Without such financing assistance, it is doubtful that major energy facilities like the Northern Tier proposal could be fully understood, thereby increasing the likelihood of litigation or other delays. Outer Continental Shelf revenue sharing as delineated in S. 2792 could provide the answer.

In summary, Outer Continental Shelf revenue sharing legislation has many benefits. S. 2792 would correct an inequity of the Minerals Leasing Act. That act currently provides compensation to States for mineral extraction from onshore Federal lands, in some cases as much as 50 percent. But there is now no similar arrangement to compensate States for mineral extraction from the Outer Continental Shelf. S. 2792 provides the remedy.

We also support the provision in S. 2792 that shares Outer Continental Shelf revenues with all the coastal States because it is evident that the impacts associated with Outer Continental Shelf development are widespread and not just limited to those on the Outer Continental Shelf schedule.

Finally, S. 2792 will provide the means to establish a real partnership of Federal, State, and local entities. Without such a partnership, Outer Continental Shelf activities and coastal development will forever be in the shadow of costly and time-consuming litigation.

In short, we recommend to the Senate Commerce, Science, and Transportation Committee that S. 2792 be approved as drafted and sent to the floor of the Senate for timely consideration.

On behalf of Governor Spellman, I can say the State of Washington applauds the sponsors for introducing Outer Continental Shelf revenue-sharing legislation. Governor Spellman considers revenue-sharing legislation of this nature important to the State of Washington. He actively supported Outer Continental Shelf revenue-sharing resolutions passed earlier this year at meetings of the Western Governors Conference and the National Governors Association.

We consider S. 2792 an appropriate piece of legislation that deserves your strong support.

May I add that because I was unable to participate in the committee's hearings in Washington on August 12, I am especially grateful for having been afforded this opportunity to testify today.

We have had several people from the State of Washington express their desire, and I am pretty sure it is probably impossible that some time maybe a similar hearing could appropriately be held in the State of Washington, but I am sure——

The CHAIRMAN. Let me ask you this. Would you rather have another hearing, or have the bill pass quickly?

Mr. MOOS. The bill pass quickly. I am sure that your procedure allows them to file testimony.

The CHAIRMAN. Yes. We will keep the record open for another 30 days.

Mr. MOOS. Several have asked me today, and I was certain of your time constraints. We appreciate certainly the hearing here in Astoria.

There has been some comment today on local funding and pass-through. The experience we have had, and Joe can allude to this if I incorrectly state it, is that we have normally passed through 40 percent to local government. I think in our most recent grant that may be coming it will be up to 50 percent.

He has a method which he was telling me——

The CHAIRMAN. Let me ask, what do you define as "local government" when you pass it through?

Mr. MOOS. As I was talking to Joe, he says that they call together the county government, the State government, and the ports—the three entities—and they work together, in concert, as to where it should go. Is that pretty much the way it works, Joe?

Mr. WILLIAMS. Senator, that is the interstate allocation process through our coastal energy impact program. We also, through our coastal zone management program, are going to pass $500,000 of

our slightly over $1 million grant this year to local county and city government.

Mr. Moos. So, with that, I think your proposal can actually be passed through to State government and actually to the ports.

The CHAIRMAN. We will add "ports." Clearly, there was no intention to leave them out. As I said earlier, we just assumed they were so much a part of local government, and especially local coastal government, that it did not occur to us to mention it because we could not conceive that anybody would think we would be leaving them out.

Mr. Moos. That is true.

The CHAIRMAN. Mr. Gilliland, representing the commissioner of public lands in Washington, Mr. Boyle.

STATEMENT OF JERRY GILLILAND, ON BEHALF OF BRIAN BOYLE, COMMISSIONER OF PUBLIC LANDS, STATE OF WASHINGTON, OLYMPIA, WASH., ACCOMPANIED BY DAVE JAMISON, MARINE LANDS DIVISION

Mr. GILLILAND. Senator, my name is Jerry Gilliland. I am special assistant to Brian Boyle, the Washington State Commissioner of Public Lands.

The commissioner of public lands is a separately elected State official. He is head of the State department of natural resources, which manages 3 million acres of onshore lands and approximately 2 million acres of State lands submerged beneath harbors, seacoasts, and navigable rivers and lakes. With me here today is Dave Jamison from our marine lands division.

I will try not to repeat what earlier testimony has been presented, but certainly there is a long history of revenue sharing from the Federal Government to State and local governments to compensate for or plan for the impacts of mineral exploration and development.

It has been mentioned the sharing of revenues from onshore Federal mineral lands. I also wanted to mention Federal dollars have been forthcoming for many years to deal with the impacts of development in other ways, such as highway construction, social welfare benefits, set-asides of purchases of lands to preserve diminished recreational and wildlife opportunities, and, more recently, the funding for CZM and sea grant efforts.

We would certainly favor the legislation that you have introduced, Senator. We think there is considerable merit in this proposal that the States would have the flexibility to direct the funds where they deem most helpful under the guidelines of Federal legislation. Local governments would be guaranteed a share of funds for their planning and impact mitigation efforts. State and local governments could continue to deal with the short-term impacts from oil and gas drilling, and also insure that a part of the funds derived from the nonrenewable resource are used to generate long-term benefits from develoment of renewable resources.

There are, of course, some theoretical shortcomings to this proposal. It may be seen by some States as simply a way to obtain a piece of the Federal Treasury to replace State revenues, or begin new unnecessary programs. It could perpetuate ineffective pro-

grams. It could potentially tip some States away from careful enough scrutiny of proposed Outer Continental Shelf leasing and development plans off their coasts.

The State of Washington has been hard-hit by this current recession, and we are in need of new sources of revenues. However, a good part of our problems has been caused by deficit spending by the Federal Government, and we would not favor any program which contributes to this deficit.

Philosophically, then, this revenue sharing proposal should be a replacement of existing programs and/or a funding source which will result in actions to prevent the need for future Federal expenditures to mitigate impacts.

The CHAIRMAN. Let me make sure I understand that. You are suggesting that if the State of Oregon gets $6 million out of this, that $6 million in other spending be reduced to the agencies that will be aided by this revenue sharing?

Mr. GILLILAND. Not necessarily an equal reduction. What I am saying is that the money should be spent in such a way that it either replaces other programs or it provides expenditures that will prevent the use of future Federal expenditures.

The CHAIRMAN. You have lost me there. When I read this statement "this revenue sharing proposal should be a replacement of existing programs," I am assuming you mean the funds for the programs, if I read it right.

Mr. GILLILAND. That is right.

The CHAIRMAN. You are the only one who has testified to this extent. In fact, Mr. Donaldson testified just the opposite, that this should not be a substitute or replacement. I want to make sure here. Are you speaking in this case for just Mr. Boyle, or for the State of Washington—not for the Governor or for the State of Washington?

Mr. GILLILAND. No.

The CHAIRMAN. All right.

Mr. GILLILAND. We believe that proper coastal zone planning can result in transportation cost savings, less social disruption, that fishery enhancements and shellfish enhancement programs can mitigate development losses.

Coastal zone management in Washington has provided a much-needed focal point, insuring Federal consistency with the objectives of State agencies as embodied in the coastal zone program.

In addition, the Department of Natural Resources has been able to assist in this review process through the establishment of two positions funded by coastal zone funds. These people have provided a major benefit to our marine program and the development of a major planning process for aquaculture and harbor area management.

Sea grant funding has allowed the Department to expand its program aimed at developing a commercial seaweed growing industry. This research has been very successful and private capital is now being invested in Washington in this program.

Further, the interaction between university scientists and the users of marine information is vital to our continued wise use of Washington's marine waters. We believe the sea grant program can provide a positive return on the dollars invested through better

coordination between research and application and the development of new marine industries such as aquaculture.

The Department, as I mentioned, manages the State's submerged lands. We are vitally concerned with managing these lands to enhance the benefits to the public. Proper planning is essential, and this funding program would be of great assistance.

We are also very interested in enhancement of fisheries and shellfish production, and we feel this legislation will provide the dollars necessary for increasing such efforts.

We believe a block grant approach would be the best method for the distribution of these revenues, and in keeping with the New Federalism approach of the Reagan administration. Congress should establish general guidelines as to how the money should be spent, but the States should make the distribution.

We believe a ceiling should be placed on the amount of revenue sharing and a periodic review made by Congress as to the effectiveness of State expenditures of these funds.

Impacts of Outer Continental Shelf activities in Washington have been mentioned, both direct and indirect impacts, and I will not go into those.

I certainly think that a minimum grant should be made to coastal States, both those that have Outer Continental Shelf drilling off their State, and States such as Washington and Oregon which are experiencing only seismic programs or indirect impacts.

In conclusion, Mr. Chairman, we appreciate the opportunity to appear before this committee hearing and express our views.

The CHAIRMAN. Mr. Moos, let me ask you, because you are the only other representative from the State of Washington here, your view about these funds being a substitute rather than a supplement to existing funds if the program passes.

Mr. Moos. I would suspect I would prefer them to be a supplement, for a couple of reasons. One is the purpose of the funds as they came to the State is the Federal assistance in the impact that a Federal-supported activity had caused in the national interest. In this case it would be, say, your offshore activity.

This is an added impact to a State that needs to be addressed that probably other programs are incapable or other funding programs are incapable of dealing with. I think the States should have the latitude of the use of those funds, but have a demonstrated credibility that it is used to cushion, to mitigate, and to meet the impacts that have been brought to it.

I think there needs to be other methods by the Congress to bring tax moneys back that serve to replace some of our tax moneys, but not a specific program. I could agree that that is a need, and possibly some time in the future we will see some relief in that case. I thnk you earlier pointed out that great amounts of tax money from the States go to Washington, and——

The CHAIRMAN. All of it comes from the States. We do not generate any ourselves. If we cannot get it from the States and the people in the States, we would not have any.

I thank you both. As to whether there will be another hearing or not will depend clearly on whether we can pass this bill soon. It is not beyond the realm of possibility that we can pass it in Septem-

ber. If we do, I will follow your advice that you would rather have the bill than the hearing.

Mr. MOOS. Yes, I would.

The CHAIRMAN. Gentlemen, thank you both very much. That will conclude the hearing in Astoria, and we will move down to Coos Bay this afternoon.

[Whereupon, at 10:50 o'clock a.m., the hearing was adjourned.]

OUTER CONTINENTAL SHELF REVENUE SHARING PROPOSALS

WEDNESDAY, SEPTEMBER 1, 1982

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
NATIONAL OCEAN POLICY STUDY,
Coos Bay, Oreg.

The committee met, pursuant to notice, at 2:45 p.m., in Eden Hall, Southwestern Oregon Community College, Coos Bay, Oreg., Hon. Bob Packwood (chairman of the committee) presiding.

OPENING STATEMENT BY THE CHAIRMAN

The CHAIRMAN. The hearing will come to order.

This is a hearing of the Senate Commerce Committee on two bills involving the allocation to the States of funds derived from Outer Continental Shelf leasing revenues.

There are two different approaches. One is a bill introduced by Senator Stevens of Alaska and myself which would allocate to the States on a formula basis moneys more or less in the form of revenue sharing. It is a perpetual process, not subject to annual appropriations. Under this, Oregon would get about $8 million a year at a minimum. If oil and gas were discovered off of our coast, we would get more. But, every coastal State gets a certain amount. Oregon gets slightly more than the minimum because there is a bonus if the State has a coastal zone management plan. Oregon does, a number do not.

The other approach is that of Senator Weicker. His bill is oriented more toward fisheries specifically, and it is subject to the annual appropriations process, which means you do run the risk from time to time of the money being there or not being there, depending upon the vagaries of the appropriations process.

In the hearing in Astoria this morning it became very clear that when this bill was drafted, we left out "ports." Not intentionally. We just assumed that no one would think of allocating money to coastal communities without allocating it to ports. We did not think it was necessary to say so. But I can assure you that when the bill is finally drafted and presented, "ports" will be mentioned prominently, in all capital letters, and we will make it clear in the conference report that we certainly intended ports as well as cities and counties to be counted as part of the municipalities of local government on the coast.

Under the bill of Senator Stevens and myself, the $8 million would be allocated roughly 40 percent passthrough to the local

communities—coastal communities only. Sixty percent would remain at the State level at the discretion of the Governor, but to be used for coastal purposes only. He cannot use it for other purposes.

There was some testimony this morning that percentage was not right, or it should be varied. Let me say to begin with we do not have any of the money yet, the bill has not passed. So when you are talking about changing the formula, at the moment you are talking about changing a percentage of nothing, although I think the chances of passage through the Congress are pretty good, better than 50–50, this year. The administration is in opposition. I think we can pass the bill anyway. The question is, if we pass it whether or not the administration will sign it or veto it.

Governor Atiyeh and I were both in Astoria for the hearing this morning, and found it most helpful. Changes will be made in the bill from what we heard.

We are here this afternoon to again find out from this end of the coast suggestions you may have for the improvement of either of the bills, or which you prefer, or what approaches you would like to take.

We will have Governor Atiyeh speak first, and then I will change the order of the witnesses slightly so that Ed Zajonc, the director of State lands for Oregon, can speak second, because I believe the Governor and Mr. Zajonc have to leave and get back to Salem. That will enable them to get back on the same plane together.

With that, I am delighted to call the Governor of the State of Oregon as a witness. I want to say that of all the Governors of all the coastal States, all of them ought to have an interest in this, but Governor Atiyeh is the one who has pushed and prodded and helped on this. If this bill passes, he will deserve more credit than any other Governor in the Nation, although every coastal State will get some money and they all ought to be beholden to Vic Atiyeh. Oregon certainly will be, because without his help this bill would not be where it is today.

Governor Atiyeh.

STATEMENT OF HON. VICTOR ATIYEH, GOVERNOR, STATE OF OREGON

Governor ATIYEH. Thank you, Senator, for your kind words. I appreciate that.

But I want to thank you for bringing this field hearing on S. 2792 directly to the communities which, depending on the fate of the Federal legislation, can be helped or hurt by Outer Continental Shelf oil and gas leasing.

I also appreciate the opportunity to be with you during the course of these hearings. The manner in which you and your staff have worked and consulted with my office, State agencies, and local governments on this issue has been both considerate, and I would tell you very effective. We thank you for your leadership and your cooperation.

I must also add that you have shown considerable political courage in cosponsoring S. 2792 at a time when Federal revenue shar-

ing, regardless of what is fair and right, is not a comforting prospect to the U.S. Treasury.

As Governor, I am proud to be your strong ally in urging Congress to approve this legislation.

Benjamin Franklin once said, "A part of everything you earn is yours to keep." He was talking about prudence and thrift, but his words drive to the heart of this issue. Oregon, more than any other coastal State in this Nation, has taken extraordinary measures that reflect the special reverence we have for a magnificent natural resource; 98 percent of our ocean shoreline is and forever shall be open and free to the public. By comparison, an average of only 2 percent of other coastal States' shorelines is open to the public.

I recall back in our days when we were in the legislature together, members of the 1967 Oregon Legislature, supporting the historic beach bill that represents Oregonians' everlasting commitment to preserve and protect an irreplaceable resource. The beach bill was an important and unprecedented statement of public policy. It assured the vitality of Oregon's third largest income-producing industry, tourism, which even in these hard times is the Oregon coast's most reliable economic cornerstone.

But the task of assuring a broad and long-term economic viability for coastal communities cannot be accomplished independently by those communities, or by the State, or by the Federal Government. All three must work together.

The establishment of an effective local-State-Federal partnership is in the best interest of all three entities, and Congress in the past has made sincere efforts to forge those alliances.

Under the Coastal Zone Management Act, States have prepared coastal zone management programs designed to accommodate national, regional, and State interests. Oregon was the second State to receive Federal approval of its coastal management program 5 years ago.

Other Federal programs, including the national sea grant college program, the coastal energy impact program, and research programs under the Anadromous Fish Act and the Commercial Fisheries Research and Development Act, have reinforced the notion that mutual benefits are the products of cooperation and shared responsibility.

Now, however, the administration is ready to pull the plug on those partnerships. At the same time, it intends to accelerate Outer Continental Shelf oil and gas leasing. The dissolution of these Federal-State partnership programs is a hard left jab. Accelerated Outer Continental Shelf oil and gas leasing is a hard right cross. S. 2792 is our best and perhaps our only defense against the knockout punch.

Historically, Federal and State resource management partnerships have honored State entitlements to keep a share of revenues earned from Federal leasing programs in those States. For example, affected States receive one-half of all mineral leasing revenues. Since the beginning of this fiscal year, 23 States have received direct Federal payments of $272 million under the Mineral Leasing Act.

The national forest receipts program shares 25 percent of revenues from Federal timber sales. In Oregon, Federal timber revenue sharing is major source of funding for counties and schools.

Public law authorizes Federal payments in lieu of taxes when a Federal presence imposes burdens on local jurisdictions. Shared revenues is a long-standing national policy, established both by tradition and law. Revenue sharing recognizes Ben Franklin's adage, "Part of everything we earn is ours to keep," as well as the Federal Government's reparative obligations to local jurisdictions which must absorb the impacts of Federal activities.

As it now stands, the Outer Continental Shelf Lands Act totally ignores precedence, equity, obligation, and, worst of all, commonsense. The law says that regardless of the pressures and adverse impacts of offshore oil and gas leasing on coastal States and their communities, those States and communities alone must pay the price. In a word, Senator, that policy is unacceptable.

I do not oppose Outer Continental Shelf leasing, as long as the State of Oregon is consulted in advance and our concerns are given proper consideration. What I do oppose is the Federal Government and the oil and gas companies playing a billion dollar ball game in our front yard and not paying for any windows they break. You know as well as I that the Oregon coast does not need any more broken windows.

Despite the several Federal resource management programs that have helped Oregon fisheries and other ocean and coastal resources, we have had to scratch and scramble just to maintain the status quo. Now even those programs are to be abandoned, leaving coastal communities to face unknown new pressures at a time of record unemployment, business failures, and depression-era budget deficits.

I support the theory of New Federalism. I do not, however, believe that New Federalism means that the economy of coastal Oregon must be destroyed in order to save it.

Senator, a lot of oil and gas companies are going to get very, very rich developing Outer Continental Shelf resources. The potential earnings for the Federal Treasury are huge. But we need to ask the question, what about the Coos Bay-North Bend area? What about Tillamook? What about Siuslaw? What about Florence, Reedsport, Salmon Harbor, the ports of Curry County, and the central and north coast, and Astoria, where we were this morning?

When shared receipts under the inland leasing programs are at record high levels, is the Federal Government ready to write off our battered coastal communities as expendable?

Congressional approval of S. 2792 will offer some reasonable compensation for the severe stresses Outer Continental Shelf activities will place on public facilities, roads, schools, hospitals, parks, moorages, and the possible degradation of living marine and estuarian resources.

Under this bill, Oregon will receive at least $6 million annually in block grants, 40 percent of which is to be automatically passed through to coastal jurisdictions for a broad range of eligible programs, including capital improvements that promote economic development. The balance of the block grant is to be allocated in Oregon's coastal zone at the discretion of the Governor.

The bill provides maximum deference to the State to determine the appropriate use of the grant. That process must be simple and responsive, and I assure you and all those who hear this message that private and public sector representatives of the Oregon coastal zone will participate in that decisionmaking.

In a moment several heads of State agencies will offer their testimony in support of S. 2792, and I concur in the recommendations they will make. But I want to put special emphasis on two points which are vital to the effectiveness of the ocean and coastal development impact assistance fund.

First, because the economy of Oregon's coastal counties is so utterly dependent on forces far beyond our control, part of the formula for disbursement of these shared resources should be tied to the rate of unemployment in each county.

Second, to take advantage of the planning we have done, and to be assured that those plans can be carried out, the bill must provide a clear certainty—a guarantee, if you will—that the long-term integrity of the fund is assured.

Senator, you and I know personally dozens of people in the room today and those that we met earlier today. These are the people who intend to live, to work, and to prosper on the Oregon coast. They are fishermen, loggers, farmers, lumbermen, merchants, and locally elected public officials. They neither seek nor want charity, and neither do I.

What we seek and what your legislation will deliver is a fair shake.

I thank you for your perceptiveness and becoming a major part of this legislation, and I thank you on behalf of Oregonians for offering us an opportunity to help ourselves.

Thank you.

The CHAIRMAN. Governor, thank you not only for your kind words and help, but also for the suggestion on the unemployment as a factor in the distribution formula. None of us had thought about it. Governor Atiyeh was the one who suggested it.

Needless to say, with the unemployment rate on the Oregon coast, it would increase the amount of money Oregon would get, and I am working with Senator Stevens to see if we can incorporate that factor in the distribution formula.

Governor ATIYEH. Thank you, Senator.

The CHAIRMAN. Thank you.

Let us take Ed Zajonc next, the director——

Governor ATIYEH. If I may, I would like to excuse myself as soon as we finish. They need me in Salem.

The CHAIRMAN. I understand. That is a signal, Mr. Zajonc, for you to speak fast.

STATEMENT OF ED ZAJONC, DIRECTOR, DIVISION OF STATE LANDS, STATE OF OREGON, SALEM, OREG.

Mr. ZAJONC. Yes, I took that immediately.

It is truly a pleasure to have the opportunity to address not only my current boss, the Governor of the State of Oregon, but also my former boss, whom I now have the pleasure of calling chairman after so many years of calling Mr. Packwood and Senator Pack-

wood. It is definitely a pleasure to be here today to talk about the Outer Continental Shelf legislation that is before you.

As the State of Oregon begins to diversify its timber-based economy, it must look to ocean and coastal resources for future development. The proposed legislation, S. 2792, the Packwood bill, will allow the State of Oregon to broaden and enhance its ocean and coastal resources through such programs as increased fishery management, long-range scientific research, increased natural resource management efforts, and most of all the desperately needed infusion of capital to implement our coastal plans on a timely basis.

The State of Oregon can no longer afford the luxury of ignoring the development of our ocean and coastal resources. With unemployment at all-time highs, land use plans not in place, and coastal communities and their residents facing extreme economic conditions, there is no better time to provide a long-term funding base to help coastal communities shift from their total dependencies upon fishing and tourism.

S. 2792 is a great opportunity for coastal communities, ports, and State agencies to begin a cooperative effort of completing the enormous task of coastal zone management and planning. We must work to resource those inherent conflicts between growth and environmental considerations.

The concerns are important in alleviating the possible impacts of Outer Continental Shelf development. Without land use plans in place, it will be very difficult and frustrating for communities to resolve those conflicts between growth and environment, and without the necessary capital it may be impossible.

There are, however, a few pitfalls regarding S. 2792. One, I think that the amount of money it will generate is not politically palatable and that it will meet with opposition not only from Congress but from the administration. Unfortunately, the amount of money being produced has no direct correlation to our current need. The sums of money this bill will generate will be a windfall for such States as Alaska, California, and Louisiana.

Though philosophically I have problems with entitlements, I think in this case it may be the only fair way to assure continuity of planning and providing for mitigation of Outer Continental Shelf impacts.

Unfortunately, the criteria the Secretary of Commerce will consider in distributing additional funds is heavily skewed toward oil production bonus revenues and quantity. One additional criteria that you may want to consider is the intensity of development. Certain port communities, due to their proximity to oil production, may develop quicker and experience unique problems which the Secretary may not take into consideration. The production site may not be directly associated with the impacts of Outer Continental Shelf development.

I would, however, suggest that you modify this entire section of the bill and consider another form of a block grant program which would assure an equitable distribution and avoid windfalls for large producing States.

There is no correlation between increased oil production and increased problems. At some point in time, problems will diminish and the additional funds would only be a surplus.

A block grant would provide the flexibility by the Secretary to insure that adequate funds are provided to other States who may suffer from some unique or catastrophic event.

A broader definition of what an energy related activity and how the funds may be used may resolve some of the questions and avoid future clarification. This legislation has placed a tremendous emphasis on ameliorating the impacts of energy development activities. There needs to be a clear definition of energy related activity to avoid a possible conflict between reacting to a potential catastrophe versus planning for an impact and development.

A broader definition of local government of coastal communities and coastal municipalities to include port districts would be essential in meeting the needs and desires of Oregon's coastal communities. The principal applicant for some of these funds will most definitely be public ports, and there should not be any question whatsoever of their eligibility to receive funds.

Lastly, I would suggest that a ceiling be placed on the total amount that any one State would be able to collect as a result of this bill, and I think that any amount over $30 million would be a windfall for any State.

In review of Senate bill 2794, the Weicker bill, I find some glaring differences and problem areas. Senate bill 2794 is basically a consolidation of several current appropriations for sea grant, coastal zone management, commercial fishery research and development, and Fish Conservation Act. I would hope that OCS legislation would not become a total substitute for these existing programs under Federal mandate. This legislation should in no way absolve the Federal Government from its responsibility for maintaining its current level of commitment to those programs; they currently have a specific process and goals which have proven to be successful and should be continued.

In addition, Senate bill 2794 places an enormous burden upon States to produce a plan for the Secretary of Commerce. Far more time and effort would be spent in the reporting process and the development of a State plan than is necessary. Such an effort would mean that a State agency would be responsible for administering the program and producing the plan. I do not feel that's the intent nor the spirit of the Outer Continental Shelf legislation. Such a burden should not be placed on States, more time, energy, and dollars will be spent in reconciling the funds to the Federal Government than using the funds to mitigate Outer Continental Shelf development.

Finally, Senate bill 2794 sets out a cumbersome process at best, of how Congress will handle the so-called national coastal zone fishery management research plan and how Congress and the President will review its development. It seems that the intent and the spirit of the legislation is lost through the maze of bureaucracy as outlined in the legislation. Senate bill 2792 however, appears to be a cleaner, simpler version which has captured the spirit of

Oregon's share under this bill will afford many opportunities for State and local government to achieve some of its long-term programs and goals. The division of State lands has an enormous regulatory responsibility for determining the fill and removal activities of waters of the State of Oregon.

Some of the funds that will be available as a result of this act could be used to help defray those costs involved in processing the hundreds of applications annually to determine whether a fill or removal activity in a water course is environmentally acceptable.

In addition, you have heard testimony from the Department of Fish and Wildlife, who may use the funds for a salmon and trout enhancement program, commonly called the STEP program. The Department of Environmental Quality may want to use these funds for pollution abatement programs; also, more importantly, an oil spill contingency plan for Oregon's coast. The Economic Development Department may want to increase their assistance for economic development planning.

Probably one of the most exciting aspects of this bill, and an innovative approach nonetheless, is the dedication of 40 percent of its funds to local communities and governments. Let me emphasize there is no better time to provide assistance to these communities, not only to complete the State-mandated regulatory requirements, but also to carry out the normal functions of local government which have been temporarily subdued due to the enormous budgetary crunch that has hit all of Oregon.

In summary, the legislation proposed will play a critical part in the overall development of Oregon's coast. Without the necessary resources, the increased intensity of Outer Continental Shelf development may be the straw that broke the camel's back for an already financially troubled coastal community. The State of Oregon is not in a position to provide the necessary financial assistance to these local communities. The Federal Government, through its accelerated leasing program, has the responsibility and duty to all the States it impacts, and should provide a sufficient amount of revenue to mitigate these impacts as they take place.

I strongly support S. 2792, and I thank you for this opportunity to testify.

The CHAIRMAN. Ed, let me ask you this question. I understand your $30 million cap, or some cap, so that the moneys do not go disproportionately to a few States. But explain to me your block grant concept. Are you removing all of the criteria that are in the bill and more or less leaving it to the Secretary's discretion as to who he wants to award these moneys?

Mr. ZAJONC. Unfortunately, the bill has captured the intent of previous Federal legislation regarding the energy impacts as they develop, and I suggest that there will be different types of development that may occur as a result of Outer Continental Shelf exploration and development, unforeseen, that we do not know of today.

Not having the wisdom of what those may be, it may be wiser to allow that flexibility with the Secretary to determine the process—which would be public, of course, and we would all have the opportunity to influence, but definitely, none like the one that is described in the Weicker bill, which is just a maze of bureaucratic hassles that would encumber every State in the United States.

The CHAIRMAN. I have mixed feelings about the discretion. I suppose all things being considered, if it is the Secretary of Commerce, and as long as I am chairman of the Commerce Committee that has jurisdiction over his Department, I could live with that.

Mr. ZAJONC. It certainly helps.

The CHAIRMAN. That helps, yes, and I could live with that. I always feel more comfortable if there is a formula so that every State knows consistently at least the minimum amount of money it is going to get. It may be more. But as you are well aware, in planning for expenditures you would almost rather settle for 80 percent of the money that you might hopefully get if you knew you were going to get 80 percent of it every year consistently, rather than run the risk of more and sometimes get less.

Mr. ZAJONC. I would agree with the entitlement. I think the $4 million for every State and $2 million if you have an acceptable coastal zone management plan, that is appropriate. I think the amounts might be somewhat arbitrary and could be flexible at a later point.

But the additional amount of money that would be distributed, which is the bulk of the fund that is remaining, other States such as Oregon and, for instance, in this community, Coos Bay, where they stand an excellent opportunity of feeling the direct impact of Outer Continental Shelf development, but not having an opportunity to share in the benefit because it is all in California oil. We are no longer a producing State, but yet we have the direct impact through steel fabrication of offshore rigs, or whatever the case may be.

The CHAIRMAN. I have got it, and I have no more questions. Thank you.

Mr. ZAJONC. Thank you, Mr. Chairman.

The CHAIRMAN. Now we will move on to Doc Stevenson, chairman of the Coos County Board of Commissioners.

I might say to the witnesses, several of the witnesses this morning asked if they had to read their statements. I said no, that their entire statements will be put in the record, if they didn't read it and if they want to abbreviate it or emphasize their main points, that was fine, you could do whichever you want. But you do not have to read it to guarantee it gets into the record.

Doc Stevenson.

STATEMENT OF ED STEVENSON, CHAIRMAN, COOS COUNTY BOARD OF COMMISSIONERS, COQUILLE, OREG.

Mr. STEVENSON. Thank you, Senator. I will try to abbreviate mine.

I wish to emphasize that we feel the potential for offshore resources to be developed in our area is very great, and that would include not only the oil resources but some mineral resources we feel are off the coast, and I suggest also that you might look at expanding this bill or a further bill to consider distribution of revenues from those mineral resources.

As a local government spokesman, I think that we have three concerns. Most of them you have addressed. One is that there be an assured share of the revenue that goes to the local government, and you have addressed that and we thank you for it. We just hope that we can maintain that shared distribution.

We would like to have the flexibility to use those funds as the demands and the problems of the area develop. Not every community is going to have the same type of problems.

We know that in our particular area one of our biggest problems is transportation. We might want to spend the majority of our funds on transportation, while another community may want to put them into some other type of activity.

So we would hope we will have the flexibility on how those are used.

My third concern is that the reporting and accounting be kept brief and simple so that we do not have a lot of redtape.

The CHAIRMAN. It is no worse than revenue sharing. You can live with that, can you not?

Mr. STEVENSON. Yes.

We think that your bill is much superior to the other bill because it does meet these problems and other problems. It provides more money for development, and more flexibility for the type of problems we will be having.

I threw in a few other things I would like to mention that were not in my printed report. You have already said you intend to include ports. I think that is important, and we do support that.

We would hope you would consider using the unemployment rate as a factor in your distribution formula. We would like to suggest that all coastal governments have problems as this development occurs and the local governments need an assured share.

There has been talk of a development fund. We think maybe that would be appropriate to come out of the State's share of that, to be put aside for large problems, regional problems, that local governments could not handle themselves, that have high financing costs.

I would just like to close by saying that we in Coos County have had severe economic problems. About 40 percent of our revenues come from timber revenues, State and Federal, and we are expecting a 50-percent reduction in those in the current year. Our county employees have taken a 20-percent cut from last year, and foregone their cost of living raises.

The CHAIRMAN. A 20-percent cut in pay?

Mr. STEVENSON. A 20-percent cut in pay, and have given up their cost of living in addition to that.

The CHAIRMAN. How much total decline in revenue, this year over last, has Coos County had?

Mr. STEVENSON. Around $3 million, probably $3.5 million counting the State revenues.

The CHAIRMAN. On how big a base?

Mr. STEVENSON. Around $15 million.

The CHAIRMAN. Twenty percent.

Mr. STEVENSON. Yes, right at 20 percent.

So we are concerned about that. We think as the economy recovers we will have additional pressures, but I do not anticipate the revenues to recover as fast. I think you know that timber prices are probably not in the immediate future going to peak to where they were before. So we are going to continue to have revenue problems. As program problems develop, we are going to need extra money, and we would certainly think we need additional funding to solve those.

Thank you very much for coming to Coos Bay and Coos County. We appreciate the fact you have made this effort.

The CHAIRMAN. Doc, I have one last statement. I want to make sure everyone understands, be it port commissioners, county commissioners, or otherwise. While this money is guaranteed for coastal communities, there is no guarantee that Coos will get it over Clatsop, or Tillamook will get it over Western Lane. It is not allocated among the counties on a formula once you get to the coast. There you will meritoriously have to compete with other coastal projects.

Mr. STEVENSON. I think in our particular area we are not too nervous about that, because we think we have some challenges here that are going to justify that competition.

The CHAIRMAN. Congratulations on the success that you are having here, at least a turnaround that I sense we are at least having in this county. It is long deserved.

Mr. STEVENSON. Thank you, Senator.

The CHAIRMAN. Doc, thank you very much.

Next we will take Bruce Laird, the chairman of the port commission. Again, Bruce, "ports" will be in the bill.

STATEMENT OF BRUCE LAIRD, PRESIDENT, PORT OF COOS BAY COMMISSION, COOS BAY, OREG.

Mr. LAIRD. I was not even going to mention it.

Well, it is great to welcome you here. It is always a pleasure to welcome who I believe is Oregon's premier statesman, Senator Packwood.

The CHAIRMAN. Thank you.

Mr. LAIRD. I wish Governor Atiyeh were here and I could also say kind things about him, too, but it is an honor and a pleasure to be able to present testimony before you today.

First, I would like to take this opportunity to again say thank you, and publicly thank you for your part in assisting the Port of Coos Bay in acquiring the now highly successful drydock. It is a 1,000-ton dry dock, 220 feet long. It floats most of the time——

The CHAIRMAN. It has to float all of the time.

Mr. LAIRD. Yes. The drydock in the past 7 months has contributed nearly $5 million directly to the community through shipbuilding companies. It has directly employed over 20 skilled craftsmen and provided shipbuilding and repair capabilities, which have added greatly to the port's reputation and continued viability as a full service port. It cannot be said too much what a terrific thing this has been. It has been a clear-cut success.

The CHAIRMAN. I might again say, there is a perfect example of Federal-local cooperation. Bruce and the port commissioners called this need to my attention, and we discovered this surplus dock and got it from the General Services Administration, given to us down here. You obviously have kept it busy from the moment that it opened.

I was there at that dedication. It was an exciting day, and I am delighted that it has worked out, I suppose even better than you could have hoped at the time.

Mr. LAIRD. We never dreamed. We completely underestimated the volume of activity that the drydock would process by 80 percent.

But I also wanted to say that I think the overwhelming public benefit of the dry dock really does serve as a positive example to the Senate, to the House, and to the State, of what local, State, and Federal authorities can accomplish by such cooperative approaches.

I think S. 2792 contains the economics of similar accomplishments. Bearing directly on the subject of today's hearing, the Port of Coos Bay recognizes the potential and the challenge for our local, regional, and statewide economy if offshore lease receipt sharing were to become a reality. The challenge of our port system, and especially for the Port of Coos Bay, is to provide sufficient capital for shoreside development, often for projects with State and national economic and security benefits, from a port district which only encompasses the local communities of Coos Bay, North Bend, East Side, Bunker Hill, and the Charleston area.

The Port of Coos Bay District simply does not contain sufficient economic resources to provide for the development requirements to recognize the true economic promise of our deep-draft international port. Deep-draft ports are truly part of a statewide and national transportation system. Ports represent the transfer point for most of our Nation's exports and imports, and will make up a key part of any viable economic development strategy. Ports are deserving and will require political and financial support if we are to be able to adequately perform the job in front of us.

Offshore lease revenue sharing is consistent with the onshore mineral lease sharing program which now currently helps local communities with handling development impacts. Coastal offshore leases will cause similar problems for the coastal areas and deserve equal consideration.

We of the Port of Coos Bay view these impacts both as an opportunity and a potential liability—an opportunity for an economically devastated area to diversify, and a liability when we view local government's capabilities to provide the needed industrial and residential services, sewer and water, industrial lands, roads, and all the dock facilities, the equipment to handle the cargoes—the list just goes on endlessly.

I understand the legislation contains wording requiring at least 40 percent of the funds be passed through to local government. This is important, especially if the local government is a port. Local governments, port districts included, are most often directly responsible for the services I have referred to.

Local governments are most aware of the needs of local industry. We are more responsive. The financial capability of our area to provide for possible impacts to service today's needs and prepare for the future is definitely enhanced by the 40-percent passthrough requirement.

Additionally, I would like to add that S. 2792 recognizes the unemployment factors, the population slippage, and the economic conditions of the States involved in the offshore lease revenue sharing.

Also significant in this consideration would be the inclusion or formation of a capital fund to finance particularly large public projects which require intensive capitalization. This is extremely significant.

Surrounding the money issue, I think that consistency is infinitely more important in the funding stream than virtually any other

factor. Eighty percent of something, if it is consistent, we can leverage on it, we can use it. But a sharp fluctuation in the funding makes it extremely difficult to use outside of a windfall profit approach.

The CHAIRMAN. The value, of course, of the dollar in revenue sharing has gone down a bit as inflation has gone on and the money has not been increased, and yet local governments have not complained too much about that because they consistently know how much they are going to get, quarter by quarter by quarter.

Mr. LAIRD. That would be our situation as well. Consistently, we can borrow against the funds. Inconsistent, well, that is another matter altogether.

Well, the emphasis on fisheries research is also a key positive point within the proposed bill. The fishing industry is finding it more and more difficult to survive financially under the new Federal restrictions, and with severely impacted resources, and high interest rates. Help for this industry is deserved, and could help the south coast region regain some of its former prominence in the commercial fishing industry.

The Port of Coos Bay applauds your efforts and Governor Atiyeh's on behalf of the proposed offshore lease receipts sharing legislation. We support the intent and look forward to working with you to promote passage of S. 2792.

The results, as we see them, are entirely positive, and the economic value to the port district is substantial.

The CHAIRMAN. Let me ask you a question. Let us assume that this port becomes a staging area for Outer Continental Shelf development. Even if gas or oil is not discovered off the coast of Oregon, you become a staging area for manufacturing drilling rigs and handling pipe. Give me an idea of some of the impacts that you would have, and then give me an idea—while this bill will give Oregon $8 million a year, I have a feeling the capital the port would need would be greater than that, if you become a serious staging area.

Give me a rough idea of what you are thinking of in terms of capital needs.

Mr. LAIRD. A serious staging area, we would take a quick blush estimate of $100 million capital required. We need extensive docks, and not the temporary docks which we see so often built, but the concrete, steel piling docks, with the appropriate grading taken care of, sewer systems laid in.

Our rail system needs to be upgraded to get out to the staging area which is most likely to be served. There is a bridge that will have to be replaced. Actually, there is probably several bridges that will have to be replaced. Heavy equipment will be required, the heavy lift cranes that will undoubtedly be required. Barge facilities would have to be worked in, too.

Probably if such a development were to occur too quickly it would be a great problem for the community to handle. It would completely swamp the community—the school system, the housing, and all the other things that would develop from having a massive, quick increase in your population.

But it is the kind of problem I think we would all love to work on, rather than the downside problems which we have been working on.

The impact would change the entire nature of the community in a positive sense. It would supply the fuel for us to break through and become a true, full-service international port, a world-class port, rather than being a world-class port—I think our claim to fame is the world's largest wood products port. But with a change of this nature, we would become, in addition to the largest wood products port, a major world-class port in a diversified sense.

The CHAIRMAN. I have said before if you look at the east coast, I have never counted them, but there must be 500 potential good ports in all those little coves and inlets. On the west coast, we only have half a dozen, of which Coos Bay is one and Astoria is another.

We have, in that sense, some natural advantages in Oregon that most other areas cannot touch if we can just cross that threshold. At some place you cross it and then the momentum is all with you. The limit to this growth is almost unknown.

Mr. LAIRD. Unknown.

I might add that in our current strategy to provide the capital for the funding of the capital facilities which we recognize as being required, we are looking at revenue from our lease operations and wharfage fees to supply income which we can borrow against to fund these other projects.

Under this kind of scenario for financing, we believe we are playing a 20- or 30-year ball game to take care of what we see are the existing potential business opportunities which exist today, such as developing some of the shipping of the materials and whatnot into the Alaskan market, which is booming.

We are seeing lots of inquiries on that, and we simply do not have the capital to break into that market. The beauty of the bill that is being proposed here is it will accelerate the development of the Port of Coos Bay immeasurably.

We just could not be more appreciative and thankful.

The CHAIRMAN. Bruce, thank you very much. I have no other questions.

[The statement follows:]

STATEMENT OF BRUCE A. LAIRD, PRESIDENT, PORT OF COOS BAY COMMISSION

Senator Packwood, Governor Atiyeh, it is an honor and a pleasure to be able to present testimony before you today.

First, I would like to take the opportunity to again publicly thank you for your part in assisting the Port of Coos Bay in acquiring our now highly successful 1,000-ton, 220-foot floating drydock. The drydock in the past 7 months has contributed nearly $5 million directly to the community through local shipbuilding companies, directly employed over 20 skilled craftsmen and provided shipbuilding and repair capabilities which has added greatly to the Port's reputation and continued viability as a full service Port.

We can only hope that the overwhelming public benefit of the drydock can serve as a positive example to the rest of the Senate, the House and the staff of what local, state and federal authorities can accomplish by such a cooperative approach. We feel that Senate Bill 2792 contains the economics of similar accomplishments.

Bearing directly on the subject of today's hearing, the Port of Coos Bay recognizes the potential and challenge for our local, regional and statewide economy if offshore lease receipt sharing were to become a reality.

The challenge of our port system, and especially for the Port of Coos Bay, is to provide sufficient capital for shoreside development, often for projects with state and national economic and security benefits from a port district which only encompasses the local communities. The Port of Coos Bay District simply does not contain sufficient economic resources to provide for the development requirements to recognize the true economic promise of our deep draft port.

Deep draft ports are truly part of a statewide and national transportation system. Ports represent the transfer point for most of our nation's exports and imports and will make up a key part of any viable economic development strategy. Ports are deserving and will require political and financial support if they (we) are to adequately perform our job.

Currently, the on-shore mineral lease sharing program helps local communities with development impacts. Coastal off-shore leases cause similar problems for coastal areas and deserve equal consideration. We at the Port of Coos Bay view these impacts both as an opportunity and as a potential liability. An opportunity for our economically devastated area to diversify and a liability when we view local governments capabilities to provide the needed industrial and residential services; sewer, water, industrial lands and roads.

I understand the legislation contains wording requiring at least 40 percent of the funds be passed through to local governments. This is important. Local governments, port districts included, are most often directly responsible for the services I have referred to. Local governments are most aware of the needs of local industry and citizens. The financial capability of our area to provide for possible impacts to service today's needs and prepare for the future is definitely enhanced by the 40 percent pass-through requirement.

The emphasis on fisheries research is also a key positive point within the proposed bills. The fishing industry is finding it more and more difficult to survive financially under new federal restrictions and with severely impacted resources and high interest rates. Help for this industry is deserved and could help the South Coast regain some of its former prominence in commercial fisheries.

The Port of Coos Bay applauds the efforts of Senator Packwood and Governor Atiyeh on behalf of the proposed off-shore lease receipt sharing legislation. We support the intent and look forward to working with you to promote the passage of Senate Bill 2792. The results, as we see them, are entirely positive. The economic value to our Port District could be substantial.

Thank you again for the opportunity to present this testimony.

The CHAIRMAN. Next we will take Commissioner Harold Rutherford of Lane County, but appearing here today in his capacity as president of the Oregon Coastal Zone Management Association.

Good afternoon, Commissioner.

STATEMENT OF HAROLD RUTHERFORD, CHAIRMAN, OREGON COASTAL ZONE MANAGEMENT ASSOCIATION, INC., NEWPORT, OREG.

Mr. RUTHERFORD. Good afternoon, Senator Packwood.

I would like to explain for the record that I am Harold Rutherford, a Lane County commissioner, but today I am representing in testimony, as Senator Packwood said, the Oregon Coastal Zone Management Association, Inc., of which I am currently the chairman.

The association is a voluntary organization comprised of 26 local units of government, from ports, soil and water conservation districts, cities and counties. It comprises all seven of the coastal counties, all of the soil and water conservation districts, quite a few of the ports, and a large number of the cities. It is as that representative that I speak to you today.

We have a vital interest in the wise utilization of our coastal resources. This is our effort to speak to you in a unified voice in that respect.

These remarks I make today will be reflective of the vital interests that we have in the receipts sharing concept that goes back to at least March 1981, when we testified as a body in the oversight hearing on the continuation of funding to the States and local governments under section 306 of the Coastal Zone Management Act.

Over the past year, we have met with Governor Atiyeh and have briefed the Oregon State Sea Grant Advisory Council and the Governor's Advisory Committee on Maritime Affairs on the concept. In June 1981, just a year ago, we discussed this issue with Senator Hatfield and received his general support. Subsequently, we have met with our congressional delegation or their staffs twice in Washington, D.C.

Senator Packwood, at this time I would like to offer to you the association's sincere appreciation of your efforts, and of the efforts of others, to provide this opportunity for an indepth review of the merits of an Outer Continental Shelf receipts sharing concept. The introduction of this bill indicates to us your awareness and sensitivity to the special needs and concerns of our coastal area, and we would ask that you please accept our thanks.

The CHAIRMAN. Thank you.

Mr. RUTHERFORD. Now, why Outer Continental Shelf receipts sharing? Well, it is logical and it is necessary; logical and necessary to meet the natural and economic needs of our coast with a very small percentage of the funds received by the Federal Government from the exploitation of our offshore nonrenewable resources. Logical, not only because the State's coastal zone and Outer Continental Shelf are interrelated, but also because of our history of sharing mineral and other receipts with the States; and necessary if plans for the restoration, enhancement, and appropriate redevelopment are ever to be more than just plans.

Also, local governments are now limited, more than ever, in their resources. Justifiable needs at the State and local level are enormous, whether in fisheries, port redevelopment, impact assistance to local communities, expanding recreational opportunities, or other areas where these funds might be used.

How does S. 2792 assist in meeting some of these real needs? First of all, as it is presently written it allows Oregon a meaningful share of the national receipts. Of course, you have heard comments in regard to that. I would have to say that we agree generally with the comments that have been presented to you as to the cap, on the maximum any one State can receive.

It provides for a passthrough to local governments, which is extremely helpful in order to assure that Oregon's rather small local governments have an opportunity to access those funds. For this State in particular, local government is where most of the negative aspects of Outer Continental Shelf development will be found. The cost of meeting these aspects require greater economic assets than local governments have, or for that matter the State has.

This bill contains a relatively simple formula for determining shared funds to insure some reliability for local government in attempting to estimate receipts. As you have stated repeatedly, Senator Packwood, we think that is very important.

It allows maximum deference to the State and local governments in the use of those funds. Fisheries research and management, impact mitigation and assistance, coastal zone management and implementations, sea grant program activities, and capital infrastructure are sufficient direction in the type of uses which might be appropriate, depending upon the specific need or mandate of the agency or local government.

Complicated percentages in reporting are avoided, and more productive uses are possible with less bureaucracy.

We address S. 2792 because we believe all of the focus of needs in S. 2794 are met in a more practical manner in S. 2792. We fully realize the probable administration hostility toward dedicating Federal funds in the future, especially with the present difficulties in getting a handle on Federal spending and our Federal deficit. However, the needs are very real. They are very necessary and they are closely connected with the source of those funds.

Also, New Federalism implies assisting State and local government in playing a greater role, and this bill provides a mechanism for this State and its local coastal governments.

Third, we believe that this offers for you and for us an opportunity to work in concert, or as a partnership, if you will, in providing those improvements, enhancements, restorations that we need and that you want.

We can do it on a local level, but we have to have the funds to make our plans more than just plans, to realize those dreams. I think, as was indicated by Bruce Laird in his testimony, it would be impossible for the local communities to bear the cost of that alone.

In the waning days of the 97th Congress, Senator Packwood, we strongly urge your support of the concepts outlined in this bill. We have no illusions. We understand the uphill road it still needs to traverse. However, a year and a half ago this association was nearly alone in talking about this concept. It has come far. It has obstacles yet before it, but it has merit, and hopefully will enjoy your support.

Senator Packwood, we feel that your support is absolutely necessary for any chance of a constructive bill this Congress.

Thank you. I would be glad to answer any questions.

The CHAIRMAN. I have no questions, Mr. Commissioner.

You are right about the organization that was the lead in pushing this and first suggesting it. It is a brilliant capital idea and I appreciate the initiative that you gave to it and getting us started on it.

Mr. RUTHERFORD. Well, we really appreciate the cooperation that we have had from both—especially from your office, and from Senator Hatfield's office, too, and we thank you very much for that.

The CHAIRMAN. Thank you

[The statement follows:]

STATEMENT OF HAROLD RUTHERFORD, REPRESENTING THE OREGON COASTAL ZONE MANAGEMENT ASSOCIATION, INC.

My name is Harold Rutherford, Lane County Commissioner and representing in testimony today the Oregon Coastal Zone Management Association, Inc. (OCZMA). I am currently the Chairman of the Association. OCZMA is a voluntary association of all seven Oregon coastal counties, nearly all of its coastal ports, all coastal soil and water conservation districts and many coastal cities. Presently 26 local units of government—all of which have a vital interest in the wise utilization of the coastal resources—comprise the Association in an attempt to provide a unified voice.

Mr. Chairman, despite differing views and many frustrating setbacks, the Oregon coast has long supported a coordinated program for the the proper management of our coastal resources and in a balance of their uses. Your are undoubtedly aware of the existence of the Oregon Coastal Conservation and Development Commission between 1971 and 1975 before its functions were assumed by the Oregon Department

of Land Conservation and Development with the adoption of the four coastal goals (estuarine resources, coastal shorelands, beaches and dunes, and ocean resources). The impetus of that Commission's creation was from local officials. In a sense, then, Oregon's coastal jurisdictions interest in the management of our coastal zone pre-dates both the state and federal efforts.

Thus, it is as a local coastal elected official representing all the local officials. In a sense, then, Oregon's coastal jurisdictions interest in the management of our coastal zone pre-dates both the state and federal efforts.

Thus, it is as a local coastal elected official representing all the local officials making up OCZMA that I make these comments today. They are reflective of our vital interest in the receipts sharing concept that goes back at least to March of 1981 when we testified during an oversight hearing on continuation of funding to states and local governments under Section 306 of the Coastal Zone Management Act. In supporting termination of Section 306 funding, we raised the issue of receipts sharing:

"The Association is convinced, however, that termination of Section 306 funding does not eliminate federal, state or local coastal management interest or need. Clearly, it was the intent of the original legislation and subsequent amendments and reauthorization that the coastal zone would be protected, enhanced and developed where appropriate for all the people of the nation. This implies that all of the people of the nation should have some share in implementation costs.

"Therefore, the Association supports termination of 306 and 308 mindful of the importance to-date of federal funding to this state and its local coastal jurisdictions. In this regard, the Assoication proposes that Congress and the President give serious consideration to offsetting federal funding reductions to the states and to local coastal governments by direct revenue sharing from a reported $9.9 billion oil and gas revenue annually generated and paid to the federal government from offshore lease activities.

"Funding would be tied to Outer Continental Shelf productivity with a guaranteed minimum percentage distribution to each coastal state to ensure equity and ongoing coastal zone management. Such funds could be used by local jurisdictions to their best advantage in continued coastal planning and would allow jurisdictions to implement their plans with the absolute minimum in multi-level bureaucracy and regulation. Additionally, these funds could be used for the enhancement of our coastal resources—including salmon and sea-going trout enhancement projects (habitat creation and/or other resource protection and enhancement possibilities—and for direct action programs for the needed redevelopment of coastal marinas, wharves and other vital port facilities.

"Therefore, in keeping with our belief that it was not the intent of Congress to place entirely the burden of implementing coastal zone management on local jurisdictions alone, that coastal zone management for the preservation, restoration, enhancement and appropriate development of our coast remains a viable concept, that coastal zone management in Oregon will severely affect local coastal governments, we accept the necessity of federal budgetary reductions at this time and perceive this necessity as an opportunity for a more creative, realistic and productive local-state-federal relationship in the proper management of our splendid and vital coastal resources."

We believe OCS receipts sharing provides this opportunity for a more productive relationship.

Over the past year, we have met with Governor Atiyeh (last October) and briefed the Oregon State Sea Grant Advisory Council and Governor's Advisory Committee on Maritime Affairs of the concept. In June of 1981, we discussed the issue with Senator Hatfield and received his general support. Subsequently we have met with our congressional delegation or their staffs twice in Washington, D.C.

Mr. Chairman, first let me offer the Association's sincere appreciation for your efforts and the efforts of others to provide this opportunity for an in depth review of the merits of an outer continental shelf receipts sharing concept. The introduction of this bill indicates your awareness of and sensitivity to the special needs and concerns of our coastal areas. Please accept our thanks.

S. 2792 as introduced provides an excellent vehicle for continuing the efforts of so many years in planning for the nation's coastal zone. We feel that it would be tragic if assistance in some form is not provided to ensure that all the planning actually results in something more than maintenance of the status quo. The needs of the Oregon coast to expand its efforts in fishery and habitat restoration and enhancement, particularly of our depressed anadromous fisheries, the need for port redevelopment, for hazard avoidance in development, for recreational opportunities for citizens of the entire nation and for many other purposes are staggering. It makes

enormous sense to earmark some of our funds from outer continental shelf development for assisting in the revitalization of our coastal natural and economic resources.

In other words, this bill provides an opportunity to turn planning and dreams into reality by providing federal assistance so absolutely critical at this time and to provide that aid to the levels of government where action can most effectively and efficiently be accomplished. Without some assistance from the federal government, many plans for restoration, enhancement and appropriate development will remain, at best, merely plans and a testimony in the future of what might have been.

Concerning S. 2792 itself, the Association respectfully makes the following brief observations:

1. We are impressed with the recognition of the role of local governments in the stipulated pass-through of at least forty percent of the funds offered to any state or territory. Local governments can and should play a major role in helping achieve positive and constructive results in our coastal areas. This Association is committed to working with this Congress, the President and our state in support of this extremely valuable aspect of the bill.

Early House attempts this year at an OCS receipts sharing bill did not initially include an appropriate role for local governments. Since some state coastal management programs rely heavily upon local governments for implementation and since local governments—particularly ports—are where the development aspects of coastal zone management are found and where the negative impacts of OCS development will be felt, local government inclusion in a meaningful way is necessary to make the program successful and to broaden the base for management of our coastal zone.

We strongly support maintenance of local governments role—and its support through dedicated funding. We know that there exists the belief by some that management of our coastal and ocean resources can be accomplished only by the federal government and that states and local governments are too close to the daily issues to allot funds properly. On the contrary, we believe states and local governments can do an excellent job with some federal financial assistance. We hope this Committee shares this view and supports dedicating funds to local governments.

Lastly, the bill's language should include ports and other special districts as well as counties and cities as potential recipients. However, only local governments located in the state's statutory coastal zone should qualify for inclusion in the receipts sharing program. Similarly, funds available to the state should be required to be used in the coastal zone or for activities directly affecting the coast.

2. The Association also agrees with the thrust of the bill in providing greater discretion to coastal states and local governments in the uses of those funds. The bill recognizes that we need results not percentages of funds spent to met grant requirements. In the past we have been critical of the inordinate amount of restrictions, conditions and application procedures of previous coastal zone management and Coastal Energy Impact programs. Tangible results in meeting the intent of the bill requires flexibility in the uses of the funds and an absolute minimum of multilevel bureaucracy in their allocation.

However, the bill should reflect more the developmental side of coastal zone management. As written, it is largely silent on development. For years, Oregon and most other coastal states have concentrated on planning at various levels of government and on the protection of coastal resources. While those are important goals unless they are accompanied with other goals they have a tendency to lock in the status quo.

The "national goals" of coastal zone management also call for the redevelopment of deteriorating urban waterfronts and port facilities. For a variety of reasons, ports have not been actively involved in Oregon's program yet certainly the emphasis in the act is on ports and urban waterfront redevelopment as well as on energy efficient transportation, increased recreational uses and access and on fisheries development. Coastal ports, cities and counties in Oregon could productively use the above mentioned development as partially funded through OCS receipts sharing.

In this regard, we would suggest that Section 6(g) be broadened to focus on capital infrastructure and other appropriate uses since one of the major needs of local governments is assistance in providing basic services. Many of the uses specified in Section 6(d) are more oriented toward state functions, except for Subsection d(5) which narrowly focuses on the relationship with energy development. Development examples include economic and engineering feasibility studies for port development, identifying future development land needs, land acquisition, marina efficiency improvement, dredge material disposal, incentives for rail system enhancement and many other possibilities. Millions of dollars have been spent in Oregon for planning and conservation; it would appear that equity and our sagging economy necessitate in-

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creased emphasis on the most logical centers of activity—and often the most needful of financial assistance—local governments.

As in the case of port and waterfront redevelopment, the "national goals" also speak to restoration and enhancement of coastal resources. In Oregon, the resource restoration and enhancement possibilities are legion, often very costly and seldom accomplished. OCS receipts sharing might allow for contributions to the state's Salmon and Trout Enhance Program (STEP), mitigation assistance, estuarine restoration measures, marsh restoration and creation and for many other activities.

In short, allowing flexibility to states and local governments provides an opportunity for meaningful completion of all the "national goals" of coastal zone management and for the provision of a balance of uses in our coastal zone.

3. The bill recognizes the intent of Congress that the proper management of the nation's coastal zone is in the national interest of the United States and in the interest of all the citizens of the nation—not entirely those residing in the coastal zone. Therefore, we support the sharing of the off-shore receipts with all states and territories and not with just those areas, which, at this time, have oil and gas activities off their coastline. Someday, should offshore ocean mining of minerals develop, an equitable sharing may also be necessary since those minerals may not be equally available off-shore of every coastal state or territory.

4. Likewise, we support additional allocation to those states and territories with approved coastal management programs. As you are aware, Oregon's program is the second in the nation to be approved. Thus funding recognizes the effort of the states and local governments in establishing a coastal management program and also the need to keep those programs viable.

Again, local governments have expended considerable resources to date under this program and some funding recognition appears warranted.

5. We do have some concerns that the bill language regarding the allocation of those dedicated funds to local governments may need revision to allow for greater discretion within the state and by the local jurisdictions on how the funds might be allocated and the uses allowed. We are concerned that coastal population, shoreline mileage and energy considerations are not precisely related to the larger coastal needs of local governments in the State of Oregon. We would welcome an opportunity to work with your Committee staff on this issue.

Fully conscious of the tremendous needs at the local level and the very logical connection between the exploitation of our offshore nonrenewable resources and the restoration, enhancement and development of our coastal areas, we strongly support S. 2792 with minor changes. On behalf of the 26 units of local governments making up this Association, we urge your active support for this bill this session.

Mr. Chairman, we appreciate this opportunity to appear before you and on behalf of all the local governments on the Oregon coast extend a warm welcome on your upcoming field hearings on our great coast. I can assure you of our continuing commitment in attempting to meet that elusive balance of uses in our coastal zone.

The CHAIRMAN. Next we will take Bill Wick, the director of the sea grant program at Oregon State, formerly the director of the Marine Science Center, and a man who has been more connected with sea grant and marine education than I think almost anybody in the country.

STATEMENT OF WILLIAM Q. WICK, DIRECTOR, SEA GRANT PROGRAM, OREGON STATE UNIVERSITY, CORVALLIS, OREG.

Mr. WICK. Thank you, Mr. Chairman, Senator Packwood. I am pleased to have the opportunity to be here today with you.

Like others, I would like to thank you for long-term support, this time of the sea grant college program, both on the national level and also on the State level.

You may recall that in the 1967 State Legislature of Oregon the first State support for sea grant came. From among all the 50 States State support began in Oregon. This helped us to become the first sea grant program in the country in 1968, and eventually the first sea grant college in 1971. We really appreciate your long-term continuing help.

The CHAIRMAN. I hope we will have continued success. As you know, every now and then we have an uphill battle with the administration about continuing sea grant at all. But in terms of dollar-in/value-out, I do not think there is any educational money where we get more out for what we put in.

Mr. WICK. Certainly, last year, Senator, your help was the crucial part.

We have tried to maintain trust with the program that focuses on State and national marine problems.

I want to talk mainly today about how sea grant may or may not fit into OCS revenue-sharing type legislation, but I also want to indicate that I hope some way is found to keep this sea grant partnership going. I have attached a statement on sea grant reauthorization relating to Outer Continental Shelf revenues, and while I speak as a representative of Oregon State University, my views are a reasonale consensus from the national sea grant network of 30 programs.

The general idea of assigning a modest portion of Outer Continental Shelf revenue to support aspects of national resource strategy certainly has merit. This has been brought to the point here many times today.

I have tried to study both bills, your bill, S. 2792, and Senator Weicker's bill, S. 2794, which seems to be somewhat similar to a House bill from Congressman Jones, as I recall. Each bill addresses legitimate concerns and, although each raises policy questions for your committee and the Congress, there appears to be common ground.

As I mentioned, I would like to talk about sea grant and how it may or may not fit. I think the national sea grant program has been effective, and deserves continuing authorization through whatever funding mechanism is provided. The important purpose, as I see it, is to leave the structure of the program essentially intact.

Sea grant has been permitted to evolve by the Congress over the past 15 years toward the goal of helping to protect marine resources, to create new marine-related jobs, to advance commerce of the ocean, the Great Lakes, and coastal zones, and finally to enhance foreign trade.

There seem to be several key ingredients for a successful sea grant college program. I will list these because they may tend to show how we differ from some of the other programs talked about today.

The sea grant college program is a locally based national network, building on strong local programing, fostering cooperative approaches, but relying on multiple funding. It is a university-based program with three functions: research, education and training, and extension or advisory services—somewhat similar to the land grant college program.

We have a long-range focus, and try to deal with it using impartial expertise. We have often talked about being a partnership of government at all levels, of industry small and large, and of the educational community. We really mean that.

We are a matching fund program. We blend funds from Federal, State, local, and industry sources into a program of mutual concern.

We have a broad marine resource orientation. Some of our programs differ one from another. In Oregon, the program features fisheries, coastal engineering and port development, Columbia River problems, marine mammal activities, maritime law, and so forth.

We are competitively funded. The 30 coastal and Great Lakes programs compete with each other for funding within the framework of funding available from the Federal appropriation process and State and local support. This helps to keep us sharp, helps to keep us selecting programs on the basis of capacity, quality, and need.

At the same time, we have become good friends across the country developing this network. I think that is very important.

Last, we are accountable to Congress. We are accountable to our State partners, not only in Government but also in agencies and industries. We are accountable to our scientific peers, who can be quite cruel at times.

We are one of the most consistently and thoroughly reviewed programs in the country. We believe that this oversight has been productive and urge that it be continued.

If I might, I would like to give a few Oregon examples of the State-Federal program. With me today is Paul Heikkila, who is the marine extension agent for Coos, Douglas, and northern Curry Counties. Paul began work here in 1968, under the former State Technical Services Act. This was preliminary to sea grant, when we were able to get some extension-type operations going.

Paul is the sea grant representative here. He brings the resources of the national network to the people of the bay region. He has done this for many years, and regardless of what their marine interests may be he is able to work over a broad range of subjects.

For example, currently an expanded marine weather forecast service is in place. This was a cooperative project among the Port of Coos Bay, primarily with Larry Ivy and Bruce Laird, with Paul Heikkila, of sea grant with the National Weather Service. What it amounts to is and focusing on better weather information for better fishing conditions and improved safety.

Paul was telling me just at lunch, that this service provides 1,500-mile reach now. We've never had this capability before. It is this Federal-State-local partnership again that really helped out.

Improved port management. We have been involved with a number of ports on the coast, particularly the one here in Coos Bay, 2 years ago, the port, together with sea grant, sponsored a port management seminar. This has led to today's activities on computer management applications for port systems, which we are working together on.

The people of the Coos Bay region—fishermen, processors, fishermen's wives, and so forth—have worked with Paul in developing an annual trawl fisheries conference which has become a focal point for the whole west coast. It is held each March here in Coos Bay.

Finally, on the local scene, the South Slough estuarine sanctuary was the Nation's first estuarian sanctuary. We worked closely with them developing educational projects for school children.

Another example: the five sea grant colleges in the Pacific have formed a collegium. We found, for example, that many of our problems today are too large for one university or one State to handle. We simply do not have the talent in the right place at the right time. Many of the programs are too large.

We have a big fishing argument going in Oregon these days, one segment of which deals with how many fish the ocean can hold. Is the ocean too full of salmon? That is a tough question. It is one that we cannot address on a single-program basis. Our program right now is putting more than $200,000 a year into that particular study, trying to sample at sea some of the salmon questions.

But this is just a piece of it. By working together with the five programs, we have been able to put together enough talent so that we can conceptually address questions like that.

We are also sponsoring an International Seafood Conference in Anchorage this month. This came right out of an Oregon State University international seafood marketing project, a research project. It is bringing together more than 125 people from 20 countries. We think that export trade must be increased. The export deficit in fisheries, as you well know, is very substantial.

One other example might be of interest. Some sea grant programs specialize in unique areas. We have been fortunate to be able to specialize in marine mammals. We are the only program that does mainly because we have special talent in Dr. Bruce Mate. We have conducted a number of research projects on marine mammals, not only on do mammals eat fish, but such concerns as scaring mammals away from fish concentrations without harming the mammals. We have had some good success with that. This project is important not only in Oregon, but in many other parts of the world.

I could cite many other ideas, but the point I am trying to make is that the Federal-State partnership approach has really been successful to sea grant.

Our problems are really long term and generic. Fortunately, sea grant has been able to work across the university system and slowly get some of these brilliant teams of people to work more closely together on problems. Problems are seldom vertical, like university, departments and schools they are horizontal or obligue.

Had sea grant been solely a national program, it never would have worked. It will not work if it becomes largely a State program or a private sector program. It is the combination support that makes sea grant different—the opportunity to take on long-range, high-risk, very pointed research questions, train students, and get the information out.

Returning now to the OCS bills, this is my summary. I believe that the source of funds in your bill, S. 2792, is more stable. The sea grant network and I do not have any major problem with this proposed bill as it affects the States.

It is obvious from testimony here this afternoon that State and local agencies certainly need this kind of help. They have already talked about the equalization problem.

But I do have a caveat from the sea grant standpoint. If the national sea grant program is to be included in revenue sharing legislation, it should be under some trust fund arrangement such as proposed in S. 2794; or, alternatively, sea grant should be omitted from this legislation and continued through the normal authorization appropriation process.

Thank you very much for the opportunity to talk here today.

The CHAIRMAN. Bill, let me make sure that you understand and I understand the significance of that last statement. The normal authorization-appropriation process is fraught with danger. If Congress wanted to appropriate $50 million for sea grant and the President wanted $20 million, and we appropriate $50 million and he vetoes it, and the veto is sustained, the debate is not between 20 and 50; it is between 20 and nothing.

Mr. WICK. Exactly.

The CHAIRMAN. At that stage, it could be nothing. We have managed to surmount that.

Even with that, because I am not sure you are going to get both bills passed, you would rather run the risk of the continual authorization-appropriation program than be included as an approved recipient in S. 2792?

Mr. WICK. We recognize the risk, Senator Packwood. We have appreciated the time and effort Congress has provided in the past for us, and continues to. We feel that this is a very healthy process. It provides checks and balances on performance that we think are very valuable.

The CHAIRMAN. But what I want to know is, do the sea grant colleges want to be in or out as an activity included in S. 2792? Because if they do not want to be in, we will take them out. We are not going to force it on anybody.

Mr. WICK. It is my feeling personally and by consensus that they would rather not be in.

The CHAIRMAN. OK. That is what I need to know.

Thank you very much for your testimony, Bill.

Mr. WICK. Thank you, Senator.

[The statement follows:]

STATEMENT OF PROF. WILLIAM Q. WICK, DIRECTOR, OREGON STATE UNIVERSITY SEA GRANT COLLEGE PROGRAM

My name is William Q. Wick; I am director of the Oregon State University sea grant college program and professor of wildlife ecology and extension education. Thank you for the opportunity to testify before the Committee on Commerce, Science and Transportation and the national ocean policy study. It is especially appropriate that these hearings are being held in the ocean State of Oregon where policies and practices relevant to Federal-State-industry approaches to marine resource conservation and development are central to our economic well being.

Senator Packwood, I express our appreciation to you and other members of this committee for your long-term support of the national sea grant college program. You may recall that Oregon State University was the Nation's first sea grant institution, selected for sea grant support in 1968, and was the first to earn sea grant college designation in 1971. We have tried to maintain that trust with a program that focuses on State and national marine problems through research, technical training, and extension activities. The Congress created the program, and Congress has sustained us over the years. In Oregon, as elsewhere, State and local governments and industries have joined with universities to complete the Sea Grant partnership.

I appreciate the opportunity to discuss two important proposals for legislation, S. 2792, the Ocean and Coastal Development Impact Assistance Block Grant Act, and S. 2794, the Marine Resource Management and Research Act. Both of these proposed acts relate to the support of major State-Federal ocean-related activities of the United States. My testimony will relate to the essential qualities that should be preserved in the national sea grant college program, in whatever way you choose to fund it.

I have attached a statement on sea grant reauthorization and on the relationship of sea grant to Outer Continental Shelf (OCS) revenue sharing. The fundamental points are common to both subjects.

The general idea of assigning a modest portion of OCS revenues to support aspects of a national marine resource strategy has merit. The two bills address the use of these funds from several different viewpoints. S. 2792, the revenue sharing/block grant approach, is concerned with the questions of OCS related impacts, Federal-State-local relations, and governmental activities. S. 2794, on the other hand, uses the trust fund mechanism and is concerned with resource questions, resulting program needs, and supplemental funding. Each bill addresses legitimate concerns. Although their differences may raise some policy questions for your committee and the Congress, there appear to be areas of common ground. I anticipate that other witnesses will examine various aspects of the legislation. I will confine myself primarily to matters relating to the national sea grant colleage program.

I believe that the national sea grant college program has been effective and that it deserves continuing authorization through whatever funding mechanism is provided. The important point is to leave the purpose and structure of the program essentially intact.

Sea grant has been permitted to evolve, over the past 15 years, toward the goals of helping to protect marine resources, create new marine-related jobs, advance commerce of oceans, Great Lakes and coastal zones, and enhance foreign trade.

There appear to be several key ingredients for a successful sea grant college program. In looking toward the forthcoming reauthorization activities next year, we have identified seven essential criteria that have made sea grant an effective, cost-efficient, Federal-State-private sector partnership in ocean development and conservation:

The sea grant college program is a locally-based national network, building on strong local programing and fostering a cooperative approach to identify and solve problems while eliminating unnecessary duplication.

Sea grant is a university-based program of research, education and training and advisory (extension) services, with a long-range focus and impartial expertise.

Sea grant is a partnership of Government, industry, and education. Involvement of the general public and all levels of government helps to insure a balance approach to marine issues.

Sea grant is a matching fund program, blending support from Federal, State, local government and industry sources in a program of mutual concern.

Sea grant has a broad marine resource orientation. The Oregon program features fisheries, coastal engineering and port development, Columbia River problems, marine mammal questions, maritime law, and other relevant areas.

Sea grant is competitively funded. The 30 coastal and Great Lakes programs compete with each other for funding, helping to insure that funds are allocated on the basis of quality and capacity. At the same time, remarkably, we conduct projects and programs in close collaboration.

Sea grant is accountable to Congress, our State partners in government and industry, and to the scientific community. This is one of the most consistently and thoroughly reviewed programs in the country. We believe that this oversight has been productive and urge that it be continued.

Some Oregon examples may help to explain these points. Sea grant's work with the Port of Coos Bay, the processors and the fishermen actually predates 1968. Paul Heikkila, the marine extension agent for Coos, Douglas, and northern Curry counties began work here under the former State Technical Services Act. Paul, as the sea grant representative, brings the resources of the national sea grant network to the people of the Bay region, whatever their marine interests may be. He works with local people to define needed programs of research, education, and advisory services. Currently, an expanded marine weather forecast service is almost in place. Sea grant through Heikkila, together with Larry Ivy, Port of Coos Bay, and the National Weather Service have cooperated to equip and develop operation of this station. Increased safety and better fishing weather information, with longer range, is the goal.

Improved port management has been a long-range mutual goal of the Port of Coos Bay and sea grant. The two co-sponsored a port management seminar several years ago. This has led to current activities in computer applications for port management. Coos Bay fishermen, processors, Fishermen's Wives, and marine industries have helped Heikkila to organize an annual Trawl Conference for the Northwest fleet. Sea grant works with local citizens and school districts and the South Slough Estuarine Sanctuary staff in developing graded educaitonal projects available to the school children of Oregon.

The five sea grant Colleges in the Pacific—Alaska, California, Hawaii, Washington, and Oregon—have formed a collegium (the Pacific sea grant college program—PSGCP) to insure that the best talent is used to focus on the most important problems. This agreement is important in each state and the Pacific region. Many problems of the day are too complex and costly for a single program to address. Take the question: How many fish can the ocean hold?—as an example. The answer, or at least, knowledgeable approaches to this question may take years to develop. Cooperatively, however, we have brought together some talented scientists from the several sea grant programs to conceptually approach the situation.

PSGCP is sponsoring a conference, September 8–11, in Anchorage on international seafood trade. This project is the direct result of Oregon sea grant research on international marketing of seafoods. More than 125 people from 20 countries will participate in this conference. Sponsors include the five Pacific sea grant colleges, Federal, regional, and State agencies, and commercial interests. The long-term benefits to the United States and Oregon could be substantial.

As one might suspect, not all sea grant programs are the same. Local and regional resource problems may differ. The talent base in the universities of the region varies. The Oregon sea grant program is the only program in the network with major emphasis on marine mammals, for example. Begun in response to concern over possible predation on fish resources, the research of Bruce Mate has resulted in many advances. Radio and satellite tracking tags have been developed for seals and whales. A sonic exclusion system appears promising for moving seals and sea lions away from prime fishing areas for salmon and other species. Many States and regions are experiencing similar problems and will use the results of this Oregon initiated research.

In another example of a local study leading to application in other regions, fish wastes from processing often create a disposal problem. Sea grant work by soil scientists at Oregon State University led to development of a method to use these wastes as field fertilizer. Workers in Wisconsin and Mississippi picked up on the idea. So what's new? Someone here decided to prove that Squanto was right.

As a final idea, although many others could be cited, Professor Mike Blumm, of the Lewis & Clark College Law School, and his students have addressed the rights of fishery resources of the Columbia. Results are regularly reported in the newsletter, The Anadromous Fish Law Memo. This is must reading for the varied interests involved in allocating Columbia resources through the Pacific Northwest Electric Power Planning and Conservation Act of 1980, and other legislation. Blumm works regularly with all users of Columbia water, in the several States.

Mr. Chairman, the points I am emphasizing with these examples are that sea grant is both a local and a national program. There are critical State and local problems that have regional and national implications. With a local focus in 30 coastal and Great Lake States, sea grant can address priority needs of the states but, of equal importance, can work throughout the network to share talent and information on national problems.

The problems and opportunities of the marine environment do not recognize State boundaries. These problems are largely long-term and generic, rather than short-term and susceptible to the shifting currents of bureaucratic policy.

Had the sea grant program been solely a national program, it would never have worked. It will not work if it becomes largely a State program—or a private sector program. As a combination of government—at all levels, educaiton, and industry with input from the general public, sea grant has been able to develop a well-rounded, problem-oriented approach sufficiently insulated to permit allocation of resources on the basis of problem identification, capacity and merit. In recent studies, long-range, high risk research appears to be a main sea grant contribution to economic development. The partnership noted above makes this approach possible.

In summary, I believe that the source of funds in S. 2972 is more stable. I have no major problem with this proposed bill as it affects the States—if that is what the States want. Some dampening mechanism may be required to equalize the sources with the needs of the several States.

However, if the national sea grant college program is to be included in revenue sharing legislation, it should be under some trust fund arrangement, such as proposed in S. 2974. Alternatively, sea grant should be omitted from this legislation and be continued through the normal authorization-appropriation process.

Thank you for the opportunity to talk with you today and thank you for your continuing support of the sea grant idea.

ATTACHMENT

MARINE RESOURCE INVESTMENT, OCS REVENUES, AND THE NATIONAL SEA GRANT PROGRAM

1. The national interest requires a national ocean policy and a marine resource strategy which will promote economic development, enhance wise use of resources and provide for conflict resolution.

2. Investment in people, ideas and technology transfer is basic to any resource strategy. Partnership programs involving the public and private sectors are necessary means for carrying out investment. The National sea grant college program is an important and effective element in this partnership approach.

3. The sea grant community urges that any legislation involving the national sea grant program should leave intact those elements that have been fundamental to the program's effectiveness: (a) its national orientation and network, building on strong local programming; (b) its university base; (c) its multiple partnership approach, working with industry, business, the general public and all levels of government; (d) its matching fund nature; (e) its broad marine resource orientation; (f) its competitive funding; and, (g) its accountability to Congress, its partners and the scientific community.

4. The sea grant programs look forward to the 1983 reauthorization process. We have not asked to be exempted from the annual rigorous scrutiny of the appropriations process. At the same time, we realize that the Congress may decide on a different approach to the achievement of marine policy goals, or that a trust fund or block grants might be used to supplement regular appropriations.

5. The adoption of a new funding mechanism should not be used to change the fundamental nature of a program.

6. A portion of OCS revenues might be used in a number of ways, e.g., via revenue sharing, block grants or a trust fund approach. Each of these is a means toward achieving certain public goals. Revenue sharing and block grants are primarily Federal/State/local funding mechanisms for government activities. If sea grant is to be included in a new marine program funding mechanism, a trust fund approach or a mechanism specifically recognizing the essential characteristics of the national sea grant college program and the capacities of the universities involved would seem to be the most desirable approach.

7. To insure accountability and responsiveness to national needs, any allocation with a primarily programmatic purpose should be subject to appropriations. Individual program elements shoud undergo separate scrutiny in the appropriations process. Except as explicitly decided in the authorization and appropriations processes, no covered program should be placed in greater jeopardy than is currently the case.

8. In the interests of stability, funds available for the purposes of the proposed legislation should perhaps be based on some form of 3 to 5 year average of OCS revenues, rather than on the vagaries of year-to-year income. Alternatively or in addition, a floor and a ceiling might be set. Wild swings of funding, up or down, do not lead to good programing, and should be avoided if possible.

9. While we concentrate on maintaining capacity for current national marine resource policy, we also ought to take stock of where we have come in the last 15 years of rapid progress in the marine field and to assess where we go in the future. There appears to be an opportunity and need for a new Stratton Commission. It is precisely when times are difficult that we should be examining new strategies for the future.

The CHAIRMAN. We will conclude with Dr. John Harville, the executive director of the Pacific Marine Fisheries Commission.

STATEMENT OF JOHN P. HARVILLE, EXECUTIVE DIRECTOR, PACIFIC MARINE FISHERIES COMMISSION, PORTLAND, OREG.

Mr. HARVILLE. Good afternoon, Mr. Chairman.

For the record, I am John Harville, executive director of the Pacific Marine Fisheries Commission, which is comprised of the five member States: Oregon, California, Idaho, Washington, and Alaska.

I join with other speakers in expressing appreciation to you for coming here. I think it is especially salutary that you have found it appropriate to come out to the coastal communities to get input on your legislation.

This is an important issue which I think I would define as a question: How in this period of severe financial stress can we develop a mechanism which will support, on a long-term sustained basis, cooperative interactions among local governments, our States, and the Federal Government for the continued protection, provident management, and wise use of our renewable coastal resources? Here I am speaking of our fragile coastal environment, the fisheries and the other living resources which depend upon that environment, and the people who are both the custodians and the users of these natural resources.

Mr. Chairman, I cannot help but interject here from the perspective of a person concerned over many years with sea grant, recognition for your part along with Bill Wick and others in getting this program started, and a special commendation for what the State of Oregon and the Oregon sea grant program has contributed nationally.

Bill talked today about the desirable interaction between State, local, and Federal entities in the development of sea grant. I want to assure you that I know of nowhere in the Nation—and I have a national perspective in this area—that this is so well exemplified as right here in Oregon.

The degree to which the Oregon sea grant program has consulted with and worked with the users, both in the private sector and in the public agencies concerned with resource management, is part of the reason this program is emulated and admired nationwide, and worldwide. I think you should feel proud as an Oregon leader, as well as a national leader, in the part you had in making it go and keeping it going, and in the job that has been done by Oregon's sea grant program.

The CHAIRMAN. That overestimates my part. I do remember 1967 when we started this, though, and the debate in the legislature, because it was unique. Of course, all legislatures are pressed for funds. Can we afford to start this new program? It will take money. We took a flyer, and it turned out to be a great long shot.

Mr. HARVILLE. Mr. Chairman, the first half of my testimony documents the unanimous support of our five Western States for the general purposes of S. 2792 and S. 2794, and of H. 5543. I will not take the precious time here to review that general support, particularly since it so clearly parallels the remarks by you and your distinguished colleagues in cosponsoring these bills and in introducing them in the Congress. I will note only that we have incorporated into the record two unanimously adopted resolutions from our annual meeting last November which endorse this fundamental concept.

I think there are two key points: First, the Federal Government must accept a continuing obligation to participate with the States and local governments in the management of renewable natural re-

sources; further, that a portion of the revenues generated by Outer Continental Shelf activities can appropriately be applied to Federal cost sharing with the coastal States for conservation of coastal zone resources, including fisheries.

I think it is notable that several of our States are already doing this. The State of California, as you know, has a major program in which they are taking finances generated from nonrenewable resources and putting them back into renewable resources, so that renewable resources will constantly grow for the future.

For the remainder of my time I will identify four key areas of difference that I see between S. 2792, your bill, and the other two bills; and then I would like to offer several suggestions which I believe would help to make S. 2792 more effectively serve the fisheries needs of our individual States and of the entire coastal region.

Concerning key differences, S. 2792 clearly mandates pass-through of a significant portion of block grant funds by each State to local coastal communities. Other bills do endorse the pass-through concept, but they do not mandate it or specify a percentage.

I support this to assure transfer of significant levels of funding to coastal communities, where so much of the action must take place to preserve both the physical environment for fisheries spawning and nurture, and also the economic conditions and infrastructure upon which a viable fishing industry depends.

I said I would not mention ports, but then I will, to say that if anything is vital to the development of a fishery it is an adequate port, with suitable landing and processing infrastructure. We are proud of the work that Coos Bay and other Oregon ports have been doing to move in this direction.

I guess particularly through my role as a member of the two regional fishery management councils serving this coast, this one and the one in Alaska, I am very painfully aware of the economic plight of most of our coastal communities. I share the concerns of our distinguished Governor that we find ways to mitigate these coastal community hardships, to the extent that we can.

The second difference of S. 2792 from the other bills is that State block grants are targeted for support of a very wide galaxy of programs and functions, including, but not limited to, fisheries research and management, coastal zone management planning and implementation, and so on. The other bills, particularly S. 2794, have significantly more limited target areas for funding under these block grants.

Additionally, S. 2792 makes no comparative weighting or other specified allocation among these functions. It leaves it entirely a matter of local discretion. As you might guess, speaking from a fisheries point of view, this raises some concerns.

Finally, as a derivative of these differences and because State by State allocations in S. 2792 and H.R. 5543 will be weighted heavily in favor of States with major offshore Outer Continental Shelf developments and impacts, the funds available for most States for fisheries purposes could range from none to very little, given relatively small State block grants to begin with, and a multiplicity of competing user groups seeking to benefit from those funds.

Again, I do not want to be misunderstood. There is no question of the desirability of this broad application. But we should remember that, particularly if a large share of the funds will go to a relatively few States, the money that will be left will be relatively small and the competition will be intense for whatever dollars are available.

I would, therefore, like to suggest two areas where I believe S. 2792 might better serve fisheries interests, and I would also like to offer a caution respecting the relationship of this proposed new support with existing programs of Federal participation.

First, while without question States facing the greatest risk and shouldering the major burdens of Outer Continental Shelf development should receive larger shares of revenues generated, we still must assure reasonable distribution of support among all States in any interdependent marine and coastal region.

Mr. Chairman, you will recognize an element of bias here. My commission exists to assist the States to work together cooperatively to manage resources that they share.

Let me give you an example from the Pacific coast. There is no question that Alaska and California must meet and overcome enormous and potentially devastating conservation and management problems in order to properly support and contain Outer Continental Shelf mineral development off their shores in the national interest, as well as in the interest of the State. However, to properly conserve and manage shared salmon stocks, many of which traverse the length of the Pacific coast from California to Alaska, the other Pacific States of Oregon, Washington, and Idaho must be full and effective partners with Alaska and California in protection and enhancement of spawning grounds, rivers, and estuaries, in maintaining the quality of our ocean waters, and in collecting and analyzing the data that are necessary for management decisions. We cannot manage a transboundary stock without everybody in the linkage contributing his share to the action.

I think two possibilities are worth exploring to bring about a more equitable regional distribution of benefits. As Ed Zajonc indicated earlier, there certainly is not a linear relationship between the cumulative effects of Outer Continental Shelf activity and the need for funds to contain and manage that activity. Will doubling the number of oil completions off Louisiana double the number of problems? I think not.

A major and perhaps infinite increase in problem areas occurs whenever a very few sites come on line in a State having no oil development. But there has to be a leveling off of the problem curve beyond that point.

It therefore seems to many of us that there could be a reasonable ceiling established for any State as a percent of the total. As you know, there is a precedent for this. The formula for funding projects under the Commercial Fisheries Research and Development Act puts a maximum of 6 percent per State, even though allocations otherwise are based upon the landed value of the catch and the products that are produced.

So I think I share with other spokesmen before you today the feeling that in order to assure a more equitable distribution we might consider a reasonable ceiling, recognizing the leveling-off

effect of the impact of oil and gas, on a coastal State, and the need to assure distribution of funds among the adjacent States as well.

The CHAIRMAN. Would that cap, in your estimation, be something like 6 percent of the total? Do you have any thoughts?

Mr. HARVILLE. I am sorry, but I do not. I have not had a chance to look at all the factors involved. I suspect it may be somewhat higher than 6 percent. One of the recommendations you will find in PMFE's resolution is that we would like to see some dialog between your staff, the States, and the Federal Government in developing these formulas. We think together we could come up with numbers that would be acceptable among all our States.

This will be a vital issue to my States, as you realize, because I have two States which are maximum beneficiaries in Alaska and California, and three which are not. I think we are in a position to help make an equitable judgment.

Should such a ceiling be feasible, the funds remaining for distribution to the other States would of course be considerably greater.

Now, my second suggestion is relevant to your dialog with Ed earlier. There might be merit in considering a two-tier system. Your questions of him suggest this. The base tier might be according to formula, as discussed earlier. Also there might be a second tier, and again I do not propose to indicate at this point how these should be divided, which should be earmarked specifically for fisheries and coastal zone programs of regional and national concern, with some discretion resting with your committee in oversight and with the Commerce Department in allocation.

These second-tier funds could be made available on an incentive basis to States for truly cooperative—and I emphasize that—truly cooperative multi-State, State-local, and State-Federal programs, particularly in coastal zone and fisheries matters where we must work together regionally.

I see this as a splendid opportunity to motivate increased attention to truly regional, and therefore national, fishery matters and fishery interests.

My second area of major concern is that lacking some reasonable Federal mandate in the national interest, fisheries needs in some States could become lost in the welter of competing and perhaps momentarily more charismatic demands for funding.

Again, I offer two suggestions. First, I believe a reasonable share of available funds should be allocated for fisheries research and management, perhaps along the levels indicated in H.R. 5543 or S. 2794. I think there is merit in the national interest, recognizing the importance of fisheries, that there be some earmarking by Federal mandate of funds for fisheries purposes.

The Nation cannot afford to have any State so reduced in its capacity to act on marine and coastal fishery affairs as to jeopardize regional fisheries resources and programs.

Now, I should point out, Mr. Chairman, I do not have great fears for my States. I think the fisheries programs are strong here and I generally feel that our Governors are strongly supportive of them. But as you know very well, there are States in our Nation in which that kind of status is not enjoyed, and yet those States are as integrally a part of the management of those fisheries and the conservation of those resources on a regional basis as my States are.

The CHAIRMAN. Let me ask this, because just a little later you worry about this being an offset to appropriated funds. I will ask you the same question I asked Bill Wick. We could take fisheries out and not have them a part of it, and not disturb the appropriations process. You can continue to run that battlement and succeed some years or not.

What would be your preference? My hunch is we are not going to get into this bill a special earmarking for fisheries. It has been left deliberately broad. If it is not specifically defined in the bill, would you rather be left out and say money shall not be used for fisheries?

Mr. HARVILLE. I think both for sea grant purposes, and certainly for fisheries, there is a middle ground. It seems to me we could maintain our traditional mechanisms for funding fisheries by way of the grants programs that presently exist, which are task-oriented and very clearly earmarked for particular purposes, and which we have been using, as you know, largely to support the work of the regional councils and provide the input that is necessary for management.

If we were to maintain those existing programs, I would not be concerned about the earmarking. It seems to me then it could be left to the discretion of the State and local governments as to how those funds should be disbursed.

The thing I think I would emphasize is that if there is to be no earmarking, then we must not consider this a substitute for existing legislation or existing grants programs. However, I would see this as a very excellent mechanism for the States and the local governments, as other speakers earlier so well expressed it, to address fisheries issues in the greater context of port development, regional redevelopment of resources, and so on, with high degrees of flexibility vested in them to do so; provided that we do not consider this to be a substitute for those existing programs which, even as our other spokesmen have indicated, give us some degree of continuity through time, in the conservation and management of regional fisheries resources.

As you pointed out yourself earlier, the minute these programs are subject to the appropriations process and the Presidential veto, our security in maintaining those programs diminishes. This is devastating to our efforts.

The CHAIRMAN. And it is devastating to intelligent management if you are up and down on a roller coaster.

Mr. HARVILLE. Yes. What happens then is that our State directors, who are concerned with maintaining our fisheries programs, have to say, well, we cannot rely on Federal participation in these programs; the Feds do not really mean it in terms of State-Federal cooperative programs. Therefore all we can do is use Federal money as an add on, as a supplement, as a hopeful frosting on the cake. We will have to find some other way, and we will have to cut back to live within or inadequate total budget.

The CHAIRMAN. That was one of the reasons why, in the early years of revenue sharing, local governments spent the revenue sharing for hard goods. They were not sure it was going to continue and they did not want to get into a program that had continuing

labor costs and get themselves committed to it, and then have the revenue sharing stop and be stuck with the program.

They were initially criticized for spending too much for firetrucks and not enough for day care centers, and that was their answer. Later on, and now, the program has worked out fine and that problem is alleviated.

But I could understand the fear initially of wondering if the money is going to continue, and at what level.

Mr. HARVILLE. I think your questions really took care of my summary, and I will simply reiterate the point that as presently drafted, the money that would come to fisheries should not be viewed as a substitute for existing, sustained programs under the Anadromous Fish Conservation Act and the Commercial Fisheries Research and Development Act, and under the programatic money that comes to our councils.

These are the funds that the States, the councils, and the Federal Government are presently using to carry out the mission-related research, the management-related research, to monitor the fisheries, to provide the data that is enabling our councils to proceed with the development of management plans and with the implementation of fisheries under those plans.

As you know, with your help and with Senator Hatfield's, we have had to fight every year to maintain those programs. Thankfully, you have given us the aid that has enabled us to do so.

Without those programs, Senator Packwood, the regional councils would become nothing but caretakers. We would not be managing fisheries according to a scientific and sensible basis.

Again to reiterate, as I did in responding to your question earlier, we must not see the funds generated under this bill as being a substitute for those funds. But in the context of all the other testimony you have had here today I see these new funds providing our States and our local governments with the opportunity to do some amplification for fisheries on a local level.

I am especially concerned over the fact it is the local entity that must maintain the quality of the estuary, must maintain the tidelands and the river resources through which our fish move. As you know, it is not just the anadromous fish, it is most of our ocean fish that are nurtured, spawned, or in some other ways protected by our coastal zone.

If we can maintain the integrity of these Federal grant programs in addition, then I would see a portion of the funds under your bill used as a supplement. But I would caution all of my distinguished leaders in Congress against seeing these as equal.

The CHAIRMAN. I do not think Congress would see these as a tradeoff or replacement. The risk you run, and it is a genuine risk, is that the administration in proposing its next budget, assuming this bill passes, would say, fisheries is getting a part of this, therefore we will reduce the fisheries authorization by roughly the amount they appear to be getting from this program. That is a genuine risk, and you are wise to observe that.

I think the reason some of the other local governments do not have to worry about it is there is nothing specific the administration can aim at and say, well, because they are getting money for

dock development and money for piers, we are going to take that much out of some other program.

But in the case of sea grant and in the case of fisheries, that is a risk that you run. It is not intended, it is not written into the bill, it is not said it is an offset. It is just in the mind of the Office of Management and Budget as they are preparing the budget for the year, how much are they getting for this other program.

Mr. HARVILLE. I guess the only thing I would have to say to that, Mr. Packwood, is we would not be any worse off than we have been for the last years in what the administration has done to us.

The CHAIRMAN. That is true.

Mr. HARVILLE. We have had to rely on leaders in Congress to make sure this does not happen.

I very much appreciate this chance to appear before you and speak on behalf of my five member States. I am pleased that I happen to be an Oregon resident and therefore have access to this hearing.

Please consider my office and our States as available to your staff if we can be of any help in the future.

The CHAIRMAN. You have been continually helpful. Thank you.

[The statement follows:]

STATEMENT OF EXECUTIVE DIRECTOR, JOHN P. HARVILLE, PACIFIC MARINE FISHERIES COMMISSION

Mr. CHAIRMAN: Thank you for this opportunity to testify with respect to the several Outer Continental Shelf (OCS) revenue-sharing bills under consideration by your Committee. My comments are on behalf of the five western States comprising the Pacific Marine Fisheries Commissioin (PMFC)—Alaska, California, Idaho, Oregon, and Washington. PMFC was created by Congressional action in 1947 to assist its member States "to promote the better utilization of fisheries, marine, shell, and anadromous, which are of mutual concern, and to develop a joint program of protection and prevention of physical waste of such fisheries in all those areas of the Pacific Ocean and adjacent waters over which the compacting States jointly or separately now have or may hereafter acquire jurisdiction." [1]

That 35-year-old charge has heightened cogency in view of the regional fisheries management mandates established in 1976 by the Magnuson Fishery Conservation and Management Act (MFCMA). In accordance with those renewed Congressional mandates, our comments here will emphasize fisheries concerns, particularly as they relate to joint interactions of our States with the Federal government for conservation and provident management of shared fisheries resources.

PMFC's five member States last November unanimously adopted two Resolutions relevant to and supportive of the overall objectives of the several bills your Committee is considering. Most directly applicable is Resolution 19 which endorses three elements our States consider essential for developing an effective Federal revenue-sharing program for conservation and management of the nation's coastal natural resources:

1. Commitment of some of of the revenues derived from exploitation of non-renewable natural resources to assure continued protection, development, and wise use of renewable natural resources such as marine and anadromous fisheries;

2. Development of Federal cost-sharing procedures via single consolidated grants or coopertative agreements with the coastal States which assure use of funds for conservation and management of coastal resources (including fisheries), yet provide all possible regional flexibility to carry out that general mandate.

3. Initiation of a State-Federal dialog to achieve the necessary formulas and guidelines for allocation of funds among the States and among coastal resources-related programs.

We strongly endorse the fundamental concept of this proposed legislation—that the Federal government accept a continuing obligation to participate with the States in management of renewable natural resources, and that a portion of the rev-

[1] Public Law 232, 80th Congress, 61 Stat. 419.

enues generated from OCS activities be applied to Federal cost-sharing with our coastal States for protection, development, and wise use of coastal zone resources, including fisheries. Clearly there is a strong national interest to be served by these coastal resources. Given adequate protection and provident management, our renewable coastal resources, including fisheries, can continue throughout the forseeable future to contribute significantly to our national wealth. We need to establish once and for all the importance of a stable Federal-State partnership dedicated to maintaining the productivity of those coastal resources. Certainly it is appropriate to dedicate a portion of the earning from exploitation of nonrenewable coastal resources.

Our States also solidly endorse combining of Federal sharing of costs for these fisheries and coastal zone programs into single consolidated grants or cooperative agreements with the individual States. Let me share with you and your Committee several principles included in our testimony before the House Subcommittee on Oceanography, which we believe should condition this proposed granting procedure:

All funds made available under this program should be applied to conservation, development, and provident management of coastal zone resources, including fisheries.

Allocations among States should take into account regional (e.g. multi-State) needs, the special problems of smaller States, and the major burdens to be borne by larger States having long coastlines and major OCS and other energy development problems.

Grant conditions should assure reasonable distribution of funds among programs of demonstrated national concern (e.g., fisheries research, monitoring and management as a component part of the MFCMA; coastal zone planning and management) yet also provide reasonable in-State flexibility for priority allocation at local option to achieve State and regional objectives.

Specific formulas and guidelines for these allocations should be developed jointly, in advance of final legislative action, through in-depth discussions among State and Federal representatives and with your Subcommittee staff.

The three bills you are considering differ significantly in the degree to which these suggested principles are met, and I should like to return to those differences and offer some recommendations in the concluding portion of this testimony.

Permit me first, however, to offer further strong support for fundamental objectives shared by all three bills—to channel a small but significant portion of revenues generated from exploitation of nonrenewable resources into the protection and effective management in the national interest of biologically renewable marine and coastal resources including fisheries; and to stablize and strengthen the Federal-State partnership for joint stewardship of shared natural resources, renewable and nonrenewable.

PMFC's 1981 Resolution 7 emphasizes unanimous State-level concern for the viability of this Federal-State partnership, particularly in light of current budget strictures at Federal and State levels. The Resolution cites the research, data collection, and overall management burdens which have been added to the States by Federally mandated programs under the Fishery Conservation and Management Act, Endangered Species Act, Marine Mammal Protection Act, and other landmark legislation of the 1970's. It notes that while the Pacific States must undertake a major share of the research and monitoring required to carry forward the national and regional objectives of those Acts, the Departments of Commerce and Interior have not provided long-term base level funding for either Federal or State implementation. Resolution 7 therefore calls upon the Departments "to establish long-term, base budget funding to support Federally mandated fishery management programs, including but not necessarily limited to: Commercial Fisheries Research and Development Act, Anadromous Fisheries Conservation Act, Endangered Species Act, Marine Mammal Protection Act, and Magnuson Fishery Conservation Act." It further urges the Congress "to provde the Federal share of financial support to carry out these programs in cooperation with the States."

Our States are much encouraged by your own recongnition of these needs, Mr. Chairman, along with your distinguished colleagues who have joined in sponsoring S. 2792, by the Honorable Lowell P. Weicker through his bill, S. 2794, and by your colleagues in the House of Representatives who have carried H.R. 5543 through full Committee approval to the point of submission for a vote by the full House. Senator Ted Stevens opened his introduction of his own bill by reemphasizing Congressional concern and support for a myriad of coastal and ocean related issues, including "fisheries research and management, coastal management effects, sea grant, coastal energy impact mitigation, port development, coastal energy development and research." He noted particularly that in these times of growing need for increased uti-

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lization of OCS resources in the national welfare, we must renew emphasis on our responsibility to shepherd our use of those resources carefully to ensure that they remain productive for generations to come. Yet at the same time that these needs are increasing, Federal support for essential programs is decreasing due to budget problems and the general state of the economy. The distinguished sponsor of this Senate bill then emphasized the national nature of these resources concerns, noting that "fisheries management, energy development, and coastal development have larger than local or even statewide significance"; also that . . . "Terminating Federal support to States for OCS impacts, and abdicating Federal ocean and policy will not result in expedited development, balanced development, or responsible development." For these and other cogent reasons, including the values of a block grant approach to Federal revenue sharing, Senator Stevens proposed his Ocean and Coastal Development Impact Assistance Fund.

Cosponsors of S. 2792 endorsed and amplified these concerns for continued Federal participation with the States in a coordinated approach to shared coastal and marine resource development and management. The Honorable Frank Murkowski of Alaska emphasized the "paramount national importance that we provide the policy framework for responsible management of the oceans and coasts"; also that . . . "to insure timely and responsible development of these resources, a productive and cooperative State-Federal relationship is essential." He noted that "There is a need to involve State government in this effort, and through the coordinated efforts of the State, to involve local governments as well." Notably, the Honorable Senator from Alaska placed "fisheries research and management" at the top of his list of State-Federal cooperative endeavors.

Maine's Senator William S. Cohen emphasized the degree to which the current fiscal and political climate has undercut these cooperative efforts, noting that "With the budget reductions of the recent past, many of the long-term programs that are designed to generate innovations in such areas as fisheries development and environmental protection have been placed in jeopardy." Clearly S. 2792, S. 2794, and H.R. 5543 all seek to rectify this growing gap between national needs for State-Federal cooperation in management of shared resources, and national sharing in the responsibilities, including costs of the work to be done. Notably, Honorable Lowell P. Weicker's bill, S. 2794 cites the two fisheries grant-in-aid programs (Anadromous Fish Conservation Act and Commercial Fisheries Research and Development Act) along with Sea Grant and the Coastal Zone Management Act, as principal mechanisms which must be supported if this cooperative endeavor is to survive.

Let me close this aspect of my remarks by noting the clearly supportive philosophy set forth in House Report No. 97-628 on H.R. 5543, the Ocean and Coastal Resources Management and Development Block Grant Act. Although the House bill differs significantly in approach and probable impact from S. 2792 (see later comments), the report clearly shows a bipartisan unity regarding the need for strengthening State-Federal interactions in development and wise use of marine and coastal resources.

Mr. Chairman, we hope the general unanimity of concerns and purposes reviewed here will strengthen the resolve of our Congressional leaders to insure a continuing strong and constructive Federal role in a dynamic Federal-State partnership for development and wise management of shared marine and coastal resources. Let me turn now to what I perceive to be certain key differences in the several bills your Committee is considering, and particularly my concerns about the probable overall impact of S. 2792 on State-Federal management of marine and anadromous fisheries.

Concerning key differences, S. 2792 clearly mandates pass-through of a significant portion block grant funds (40 percent minimum) by each State to local coastal communities. Other bills endorse the pass-through concept, but without specific mandate or percentage. As a second key difference, State block grants are targeted to support a galaxy of programs and functions, including, but not limited to (Sec. 6d) fisheries research and management, coastal zone management planning and implementation, assessment and mitigation of impacts of OCS development, sea grant program activities, and improvements in coastal capital infrastructure. H.R. 5543 and S. 2794 designate significantly more limited target areas for funding under these block grants. Third, S. 2792 makes no comparative weighting or other specified allocation among these multiple uses for funds, whereas H.R. 5543 and S. 2794 earmark minimum support levels for broad areas considered to be in the national public interest (e.g. in H.R. 5543, 10-20 percent "off the top" for Sea Grant, and of the remainder, at least 20 percent for enhancement and management of living marine resources).

Finally, as a derivative of these differences, and because State-by-State allocations in S. 2792 and H.R. 5543 will be weighted heavilly in favor of States with major offshore OCS developments and impacts, the funds available to most States for fisheries purposes could range from none to very little, given a relatively small State block grant to begin with, and a multiplicity of competing uses to be funded from it.

Let me offer now for your consideration and review by your staff a few questions and suggestions from the perspective of a fisheries scientist and manager. I am concerned first and foremost with enhancing our regional approaches to rational and coordinated development and management of fisheries resources and the habitats that nurture them. From that perspective, I very strongly support the diversified role of the Sea Grant College program in research, education, and public information transfer. I fully support the laudible intent of S. 2792 to assure transfer of significant levels of funding to coastal communities, where so much of the action must take place to preserve both the physical environment for fisheries spawning and nurture, but also the economic conditions and infrastructure upon which a viable fishing industry depends. Particularly through my role as a member of the Pacific Fishery Management Council, I'm painfully aware of the economic plight of most coastal fisheries communities, and I share the concern of Oregon's distinguished Governor that we find ways to mitigate these hardships to the extent practicable.

In three areas, I have major questions and concerns however, which I will try to phrase with respect to provisions of S. 2792. These relate to (1) relative levels of funding among the coastal States; (2) designation of funding for fisheries programs; and (3) relationship of funding under the proposed new legislation to that which has been provided in the past for fisheries programs under other mandated programs (e.g. Anadromous Fish Conservation Act and Commercial Fisheries Research and Development Act).

Concerning allocations of available funds among coastal States, I consider the designation of a minimum level ($4-6 million depending on CZM plan approval) a desirable provision, although would note again that for a reasonably large and diversified State, that level of funding will not go very far for so broad an array of targets as are specified in S. 2792. I also see substantial merit in providing augmented levels of funding for those States enduring the major problems and taking the significant risks of OCS mineral development. Certainly they need and deserve a significantly larger allocation, particularly to cope with assessment and mitigation of impacts of that OCS development, and to carry out the coastal management planning and implementation, and the development of capital infrastructure, which is required by OCS development.

However, regional and national interests will be well-served only if regional and national problems are met on a broad-based regional basis. Among my own Pacific States, for example, Alaska and California must meet and overcome enormous and potentially devastating conservation and management problems in order to properly support and contain OCS mineral development off their shores—in the national interest as well as for State benefit. However, to properly conserve and manage shared salmon stocks, many of which traverse the length of the Pacific coast in their seaward migrations, Oregon, Washington, and Idaho must be full and effective partners with Alaska and California in protection and enhancement of spawning grounds, rivers, and estuaries, in maintaining the quality of our ocean waters, and in collecting and analyzing the data required for intelligent fisheries management.

For these reasons, I respectfully urge that Congressional staff look for mechanisms for allocation among States that will assure the several OCS-developing States a full share of funding to meet their unique needs and problems, but will also assure reasonable allocations to the much larger number of States lacking those unique needs, but sharing in major challenges and demands upon their resources for conservation and management of shared fishery resources.

Two possibilities seem worth exploring. First, I suggest that there may not be a linear relationship between cumulative levels of OCS activity and need for funds to contain and manage that activity. Will doubling the number of oil completions off Louisiana truly double the problems and needs? I think not. A major (perhaps infinite) increase in problem areas occurs when one or a very few sites go into production; after that there must be a curve in impact which at some point very nearly levels off. On this basis, I suggest there may be a reasonable ceiling which could be established for any State as a percent of the total, very much as was done in establishing a formula for funding under the Commercial Fisheries Research and Development Act where allocations otherwise depend upon the value of landed catch and fish products (presently the law specifies a 6-percent maximum for any one State).

Should such an approach be feasible, the funds remaining for distribution to other States could be considerably greater. As a second question/suggestion, I wonder if

there might be merit in a two-tier distribution of funds? The base tier might well be according to formula. A second tier, which I would hope might be earmarked specifically for fisheries and coastal zone programs of regional and national concern, might be made available on an incentive basis to States for truly cooperative multi-State and State-Federal purposes. I would see this as a splended opportunity to assist all concerned entities to work together on the management-related research, data collection and monitoring, and other activities so essential to implementation of Regional Fishery Management Council plans under provisions of MFCMA. Such an interstate cooperative mechanism also could support multiagency planning lying outside the Regional Council aegis, as for territorial sea fisheries such as menhaden in the Gulf of Mexico or along the Atlantic Coast, or for multi-State estuarine research and protection on all our coasts.

Congressional legislation has clearly specified the national interest in these regional approaches to regional resource management problems. Congressional leaders have reiterated these concerns in formulating the OCS revenue-sharing bills we are considering today. I respectfully urge that innovative ways be sought to encourage and support truly regional activities—perhaps through the "second tier" approach to allocation of funds.

As noted earlier, I must express concern for fisheries interests that fisheries needs may become submerged in the welter of competing claims upon limited funds if there is no Federal mandate for some reasonable proportional allocation. Here I offer two suggestions. First, I believe a reasonable share of available funds should be allocated for fisheries research and management, in the national interest. The nation cannot afford to have any State so reduced in its capacity to act on marine and coastal fishery affairs as to jeopardize regional fisheries resources and programs. It was for this reason that MFCMA included a Federal preemption clause. It is in the national interest that some reasonable minimum level of expenditure be specified for fisheries conservation and management—perhaps at levels indicated in H.R. 5543 or S. 2794.

Second, I urge that legislation specify that allocations of Federal dollars for fisheries research and management be via the duly authorized State fisheries agency or agencies. This will normally be the case; however, I urge against creating a situation in which wasteful duplication and destructive competition might be fostered by lack of that specificity on the planning and execution of fisheries-related activities.

Mr. Chairman, as final point of concern in this review, I think it important to emphasize that fisheries support provided under S. 2792 as currently drafted certainly is not equivalent to that which has been provided by the Federal government in the past via such categorical grant programs as the Anadromous Fish Conservation Act and the Commercial Fisheries Research and Development Act, nor is it an adequate substitute for programmatic funds made available under MFCMA to our Regional Fishery Management Councils.

Neither are the funding levels to be anticipated adequate, nor is the nature of the work to be carried out equivalent. Those existing programs all are task-oriented, and all have been used constructively over the past decade to provide the State-Federal cooperative resources for the research, data collection, and fisheries monitoring upon which Regional Council plans have been based, and by which those plans currently are implemented.

Through the block grants proposed, we certainly will be able to undertake much needed augmentation and extension of these and related tasks, particularly as they derive from local communities and their needs. As presently drafted, however, S. 2792 must be seen as supplement to, and in no way replacement for these well-established national programs for Federal participation with the States in programs of regional and national importance.

I respectfully suggest, however, that if our States and our Federal colleagues could work with members of your staff on modifications perhaps along lines suggested here, a revenue-sharing bill might be generated which could replace at least in part the present array of separate funding mechanisms.

Thank you for this opportunity to discuss these issues and concerns with you. Please call upon my office and upon the offices of our member States if we can be of further assistance to you and your staff.

The CHAIRMAN. That will conclude the hearing. Between here and Astoria, it has been most informative. I have picked up all kinds of ideas as to how this bill might be trimmed and sharpened, and I appreciate it.

Thank you. We are adjourned.

[Whereupon, at 4:25 p.m., the hearing was adjourned.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF HON. ERNEST F. HOLLINGS, U.S. SENATOR FROM SOUTH CAROLINA

Mr. CHAIRMAN. I am delighted that we are holding this hearing today on the two OCS Revenue Sharing Proposals, S. 2792 and S. 2794, as an author of S. 2792, I believe it important to make one point at the outset. This legislative effort by all concerned, in both House and Senate, might not have been necessary if the Administration would agree to fund the programs we provide for in both bills—coastal zone management, Sea Grant, fisheries programs, and coastal energy impact mitigation. It would, in fact, be a far lesser drain on the Treasury if this were the case, than the $500 million fund projected for our bill, or the $300 million fund projected for Senator Weicker's legislation.

However, in considering the alternatives for maintaining the legitimate national interests which are at stake in these programs, we have now gone several steps beyond supplanting appropriations in S. 2792. We have accounted for the need for expeditious development of our OCS oil and gas reserves, as well as other necessary coastal energy development for our Nation. We have recognized the increased and central decisionmaking role the coastal States must and should play in these efforts. And we have recognized the long-ignored equity issue that arises from the existence of other similar programs, such as the Mineral Leasing Act, payments-in-lieu of taxes, Forest Service stumpage fees, and grazing fees. Under the Mineral Leasing Act alone, the expenditure for fiscal year 1982 will be $750 million.

Under this Act, the Federal government has recognized since 1920 the need to compensate mainly inland States, where Federal activities and Federal land reduce the State revenue base, while creating impacts for which a State legitimately should be recompensed.

On the other hand, our coastal States must respond to impacts from OCS and other coastal energy development activities, and balance these with wise use and development of our other ocean resources, such as fisheries. But no similar reliable, dependable revenue source drawn from the use of these public lands on the OCS has been available. And this is in spite of the fact that almost one billion offshore acres are being proposed for leasing over the next 5 years.

The two proposals before us today are actually quite modest in fiscal terms, representing far less than 20 percent of the projected OCS receipts for the next fiscal year. The Mineral Leasing Act alone turns back 50 percent of the revenues collected to the States.

But there is an even better reason for these proposals than the equity argument. We have enacted legislation over more than a decade which carries clearly stated national interests, such as in the Coastal Zone Management Act, while permitting the coastal States, voluntarily, to shoulder the burden of implementation. It is no more equitable to dump total funding responsibility on the States for the Federal-State partnership we developed, and our national concerns, than it is to respond to inland states while turning a deaf ear to our coastal areas.

I look forward to reviewing any suggestions for improving S. 2792 which may be made. For in the end, all of us who participated in drafting this legislation, and who support its purposes, want legislation which will wear well and wisely through the years, and help carry the responsibilities in ocean and coastal policy which are of shared State and Federal concern.

STATEMENT OF HON. LOWELL WEICKER, JR., U.S. SENATOR FROM CONNECTICUT

Mr. Chairman, I am pleased to have this opportunity to discuss my views on outer continental shelf revenue sharing.

The world's oceans, constituting some 70 percent of the earth's surface, have long been used as a source of food and as an avenue for communications, trade, commerce, and conquest. The interaction of the oceans with the atmosphere controls most of the world's weather patterns. Recent scientific and technological advances have rapidly expanded our utilization of ocean space to encompass such diverse ac-

tivities as widespread oil and natural gas exploration and extraction, exploration and research with deep-sea submersible vessels, undersea habitats, construction of offshore installations, as well as an expansion in both the intensity and sophistication of such traditional ocean activities as fishing and transportation. This increased utilization has also caused problems of pollution, overfishing, and exploitation of the coastal zones.

This rapid escalation of ocean-related activities has increased the potential for conflict. Offshore oil and gas exploration has already created pollution problems both on the high seas and in the coastal zones. Increased numbers and movement of massive oil tankers have increased the potential for widespread oil pollution with resultant damage to the marine ecosystem. Increased development of the fragile coastal zone areas of this country has had tremendous impacts on the coastal ecosystems. Also, increased pressures and poor management of the living resources of the sea have resulted in overfishing of many species. Long-term impacts of overfishing have endangered the continued economic viability of many important species.

The above is part of the reasoning behind the development of S. 2794, the Marine Resources Management and Research Act. This legislation is based on the need for us to intelligently utilize and protect our marine resources, which are so important to our national economy.

Congress has already declared that it is in the national interest to have effective management, beneficial use, protection, and development of our coastal zone resources. By doing so, we will be meeting our demands for food, energy, minerals, national defense, recreation, waste disposal, and transportation. It is also necessary, however, to avoid possible conflicts from this increased use so that we maximally utilize the world's fourth largest continental shelf and the almost 20 percent of all foodfish in the world.

With the enactment of this legislation, a supplemental source of funds for valuable marine resource education, managment, and research programs—the Marine Resource Management and Research Fund—will be established, along with the development of the National Coastal Zone and Fishery Management Plan. These two parts of the legislation will help us to avoid the potential conflicts as well as helping us to meet our national desire for intelligent and full utilization of our marine resources.

I will not spend time discussing the rationale for this country's need to become more energy independent. However, since all of the coastal states and territories assume most of the environmental and economic risks that are associated with offshore development, all of them should benefit from some of the funds that are generated by the federal government through the leasing of tracts of the outer continental shelf for oil and gas development.

This will be done by using the Marine Resource Management and Research Fund to provide partial support for four key National Oceanic and Atmospheric Administration programs, all of which are slated for termination by the Reagan Administration. Using the revenues from the OCS tract leasing for Fiscal Year 1981 as the base year, the Fund will receive ten percent of the difference between the base year and each succeeding year. A maximum of $300 million may be paid into the Fund annually.

The first of the key programs maintained within NOAA deals with the management of coastal zones. The Coastal Zone Management Act has provided a valuable mechanism for achieving our goals of utilizing and protecting our marine resources by the coastal states with the availability of federal funding. As a result, many coastal states have developed coastal zone management plans in order to achieve this management. Unfortunately, the Reagan Administration has decided that the Coastal Zone Management Act funding should be terminated at a time when federal involvement is crucial in preventing conflicts over the coastal zone.

Another important mechanism for achieving our national desire for effective management and beneficial use of our marine resources is the acquisition and dissemination of knowledge about the marine resources. It is Sea Grant's mission to achieve this through the application of academic enterprise. Over the past two years, the present Administration has tried to eliminate the Sea Grant program. It is in our interest to see that funds are continually and consistently made available so that the Sea Grant program can continue to carry out this important function.

However, I am not yet sure if Sea Grant belongs in this or any other similar legislation. I believe that the Sea Grant provision in S. 2794 is the only acceptable language. It keeps Sea Grant intact as a national program.

The remaining two programs within NOAA that come under this Act provide grants to the states for fisheries research. These are the Anadromous Fish Grants and the Commercial Fish Research and Development Grants. In the past, they have

been important in aiding the states with their research and management of our valuable coastal fish stocks. Along with stimulating research on the management of these foodfish, the commercial fishing industry has been assisted in its development. While much has been achieved, there are still many areas concerning the coastal fish stocks and the commercial fishing industry that need to be examined. Rather than terminate these programs, as the Administration desires, we should be providing continued and consistent funding.

Each year Congress will appropriate money from the Fund for use by the Secretary of Commerce to help maintain these four programs within NOAA. Coastal Zone Management will receive 30 to 40 percent; Sea Grant will receive 15 to 25 percent; and the Anadromous Fish Grants and the Commercial and Fish Research and Development Grants will divide 10 to 20 percent. Congress would designate the actual percentage each year.

The Fund would also provide a new source of funds for other marine resource education, management, and research programs by the coastal states and territories. This new money would provide a further stimulus for opportunities for the states and territories, singly or in groups, to have education, management, or research projects that will help us to wisely use our marine resources. Examples of this are research on the factors that regulate the abundance of coastal and estuarine fish stocks and our ability to manage the valuable inland bodies of water, such as the Chesapeake Bay, Long Island Sound, and the Great Lakes.

I would like to add at this point in my testimony that I consider it essential to keep these programs under the Authorization-Appropriations process rather than rely on the states to keep them going. S. 2794 keeps the programs where they belong.

The other key provision of this legislation is the development by the Secretary of Commerce of a National Coastal Zone and Fishery Management and Research Plan. It will establish guidelines for cooperative management and research by the coastal states of our nation's coastal zone and coastal-dependent fishery programs. This is an expansion of the coastal zone management plans required by the CZMA since the resources in this area do not recognize state boundaries and need to be managed in a cooperative manner. The Plan's main thrust includes measures that are necessary and appropriate for the consistent conservation, management, and research of the entire coastal zone and of the coastal-dependent migratory species over their entire range.

When the Fisheries Management and Conservation Act of 1976 was drafted those fish species that lived primarily within the territorial sea were purposely excluded from the Act to prevent infringement upon states' rights. I agree that the federal government should be involved as little as possible in the affairs of individual states. However, the present situation with regard to migratory fish within the territorial sea is totally unacceptable. Many migratory fish spend most of their life cycles within the near coastal areas, predominately along the east coast of the United States. Such species as the menhaden, bluefish, striped bass, croakers, and sea trouts are a few of those that stay near shore and thereby do not qualify as species that should be managed under FCMA. Presently, each state has its own management and conservation program, but in terms of the total range of a species, a single state's program is ineffective.

A case in point is the past attempts to manage menhaden through cooperation by state organization. The menhaden is the third most important commercial species in the United States, after tuna. It at one time provided almost one million metric tons per year of usable organic matter for livestock feed, medicines, fertilizer, and many other uses.

Menhaden are caught almost exclusively within the territorial sea on the east coast and along the Gulf of Mexico. On the east coast they migrate between no less than ten states, moving in and out of estuary systems and coastal waters. Juveniles in the northern range of the east coast migrate southward and spend their first winter in North Carolina waters.

The fishing industry has put heavy pressure on the Atlantic menhaden population for many years, resulting in a severe depletion of this stock.

The catch statistics for the Atlantic stock show a rapid rise in effort and catch from 1950 through 1956, peaking at just under 700,000 metric tons in 1956, then dropping drastically to an all time low of 161,000 metric tons in 1969. The fishing effort also dropped accordingly.

The situation for the menhaden is becoming increasingly critical and the Atlantic stock may be further economically depleted in future years. Studies have shown that the species was being overfished, but nothing could be done to reverse the trends. The states involved could not agree on an overall plan of management.

Other important migratory species that are caught primarily within the states' waters have similar histories. For instance, the Atlantic croaker and Grey seatrout were at one time commercially important north of Cape Hatteras. Several million pounds of each species were caught each year, but overfishing in the mid-Forties was a probable cause of the croaker population in this area being severely depleted and the sea trout population reduced considerably.

The stripped bass is another species of prime importance, especially to the recreational fisheries and is clearly in need of uniform management. Its abundance fluctuates from year to year and is subject to increasing fishery pressures. The successful development of the Interstate Fisheries Management Plan for the Stripped Bass of the Atlantic Coast from Maine to North Carolina represents a landmark in the effective management of this coastal species throughout its migratory range. In December, 1980, representatives of the 12 states voted unanimously to accpet this plan in its entirety. However, for it to be successful, all of the states must implement it. One means of accomplishing this aim of uniform management of the stripped bass is the consistency clause in my legislation, where the Secretary will consider a state's compliance with the Plan when issuing grants.

In closing, I add that it is only fitting that Congress provide continued assistance and guidance to the coastal states and territories for their marine resources through the creation and implementation of the Fund and the Plan.

Statement of Western Oil and Gas Association

This statement is submitted for the record by the Western Oil and Gas Association, a petroleum trade organization whose member companies produce, transport, refine and market crude oil, natural gas and associated hydrocarbon substances in the Western United States. The Association's principal office is in Los Angeles, California.

Western Oil and Gas Association support OCS Revenue Sharing and welcomes this opportunity to comment on this issue and on S.2792, the "Ocean and Coastal Development Impact Assistance Block Grant Act".

We share the belief expressed by Senators Stevens and Murkowski that OCS Revenue Sharing is essential to creating a willing partnership between the states, local communities and the federal government on offshore drilling and should reduce court challenges to the OCS leasing plan.

Presently, coastal states and local communities are expected to plan for and spend money to mitigate the coastal impacts of OCS activities on their state tidelands and coast and they do not receive any direct compensation in return. The benefits which these states and communities do receive from energy development offshore tend to be indirect and delayed; the cost of preparing for such operations is more immediate. Small undeveloped communities such as Nome, Dutch Harbor and Kodiak in Alaska and some California communities, such as Port San Luis and Eureka, with limited financial resources recognize that adjacent OCS development will place substantial demand so their schools, medical facilities, utilities, airports, harbors and other community services. Understandably this has caused fear of OCS activities in these communities.

WOGA's position on revenue-sharing

We think the following provisions will provide the affected coastal states and communities with their fair share of OCS revenues:

1. Coastal states close to or affected by OCS activities should receive a share of OCS revenues. Sharing should also extend to coastal states that do not border OCS activity but are affected by the transportation or landing of OCS production.
2. The funds available for sharing should be a percentage of annual OCS bonuses and royalties and not subject to a periodic congressional appropriation process. The calculation of these funds should not be tied to a base year.
3. Some of the shared revenue should go to the state's general fund to be disbursed at the discretion of the State Legislature. A substantial share should be passed down to affected local communities and counties to use in preparing for OCS energy development and mitigating its impacts.
4. There should be no penalty for states without an approved Coastal Zone Mangement Program.

WOGA'S POSITION ON S. 2792

WOGA supports S. 2792. However, we are concerned about the following provisions:

S. 2792 does not reflect the need to fund community development to cope with increased demand for local goods and services. Instead it emphasizes the need for increased funding for planning and studies. Funds should be made directly available to locally impacted communities for modifying community facilities and services to accommodate OCS development. Otherwise, the program will overemphasize the planning phase and probably result in a large bureacracy of planners who draft studies and stipulations which restrict rather than foster OCS development.

S. 2792 provides for sharing four percent of bonus revenues and six percent of royalty revenues. Using 1981 OCS revenue figures, $457.6 million would be available for sharing. The Bill also provides for a minimum payment of $4 million to each of the 30 coastal states and $1 million to each of the seven territories. These payments total $127 million and represent over 27 percent of the 1981 revenues that would be shared under this bill. Most of these coastal states and territories will not be affected by OCS operations. We recommend eliminating or significantly reducing these minimum payments in order to provide adequate funds to those coastal states which are impacted by OCS operations.

In addition to these minimum payments, S. 2792 rewards territories and states with Coastal Zone Management Programs by giving the territories a $1 million bonus and the states a $2 million bonus and credit for coastal mileage and coastal population in the revenue sharing formula. We do not believe that participation in the coastal zone management program or in any other federally-approved voluntary program should be a factor in determining the amount of a state's or territory's share of OCS funds.

The formula provided in S. 2792 does not appear to provide the appropriate incentive for states to support new production off their coastline. S. 2792 allocates shared funds (after deducting substantial guaranteed payments to each coastal state and territory and bonus payments for approved coastal zone management programs) under a formula which generally gives 35 percent consideration to production from adjoining OCS leases. Under such a formula, states such as Louisiana, Texas and California with most of the current OCS production would benefit substantially although the incremental impacts from ongoing OCS production are minimal. The remedy would be to provide special production credit under the formula to leases which begin producing after enactment of this legislation.

Also the formula gives 25 percent consideration for the amount of coastal population and 15 percent consideration for the length of the coastal shoreline. We believe this gives too much weight to coastal population (allowing Chicago more credit than Santa Barbara County) and coastline factors (allowing Michigan more credit than Louisiana). Logically we see no relationship between either population or length of coastline and impacts of OCS activities. Altogether, factors which have no relationship with these impacts control the allocation of approximately 63.1 percent of OCS revenues (See attached Exhibit which applies the Bill's formula to 1981 OCS bonus and royalty figures).

We would prefer a formula which more heavily weighs adjacent OCS leasing, new produciton and first landing factors.

EFFECT OF OCS REVENUE SHARING ON FEDERAL REVENUES

Various federal agencies have expressed opposition to revenue sharing because of their concern over loss of revenue at a time when reducing the budget deficit is a top priority.

The Federal government, under certain assumptions, may, in fact, benefit from a revenue sharing program. If revenue sharing reduced the amount of state litigation restricting OCS development, the increased bonus payments to the federal government could more than offset the federal revenue shared with the states.

Our basic reason for supporting OCS Revenue Sharing is the hope that the program will foster an attitude of cooperation and support from coastal states and communities, thus reducing litigation opposing OCS activities and thereby increasing the pace of leasing, exploration and development in the OCS. This will increase our country's domestic energy supply and further our national security interest by helping to reduce our country's dependence on foreign oil.

Allocation of Shared 1981 Revenues Under Formula in S. 2792

[1981 figures (dollars in millions)]

	OCS revenues to be shared
4 percent of OCS $6,599	$263.96
6 percent of OCS $3,228	$193.64
Total revenues ot be shared	$457.64
Amounts allocated by each factor in the formula—	
1. Minimum payments:	
$4 to 30 coastal states	$120
$1 to 7 territories	$7
$ Total	$127
Percent	27.75
2. Bonuses for approved coastal management programs:	
(a) $2 to 22 states	$44
$1 to 5 territories	$5
Total	$4.9
Percent	10.71
(b) Coastal population allocation 25 percent of $281.64	$70.41
Percent	15.39
(c) Coastal shoreline allocation 15 percent of $281.64	$42.25
Percent	9.23
3. Allocation by factors which reflect OCS impacts:	
(a) Production factor allocation 35 percent of $281.64	$98.57
Percent	21.54
(b) Lease bonus factor allocation 20 percent of $281.64	$56.33
Percent	12.31
(c) Landing factor allocation 5 percnet of $281.64	$14.08
Percent	3.08

CITY OF NOME,
Nome, Alaska, August 25, 1982.

Hon. JAY HAMMOND,
Governor, State of Alaska,
Juneau, Alaska.

DEAR GOVERNOR HAMMOND: I understand that you will be travelling to Oregon to testify in favor of the OCS Revenue Sharing Bill, S. 2792.

The City supports the funding formula in the bill, because it will enable the State and the City to continue coastal management planning and prepare for coastal energy impacts.

The City Council would appreciate it if you would read the attached City resolution on S. 2792 into the record at the hearing in Oregon.

Thank you for your support and assistance.

Sincerely,

IVAN L. WIDOM, *City Manager.*

Enclosure.

COMMENTS ON OCS REVENUE SHARING BILL, JULY 15, 1982, STAFF WORKING DRAFT

OCEAN AND COASTAL DEVELOPMENT IMPACT ASSISTANCE FUND

The City of Nome supports the formula which ensures adequate funding for coastal management activities. Nome has a need for and has been carrying on coastal management planning and coastal energy impact programming. The City is particularly concerned that funding is adequate for public facilities and services loans under the coastal energy impact program. It appears the 4 percent-6 percent formula will provide an adequate total amount for Alaska.

The City of Nome by itself could need as much as $20 to $30 million to pay for public facilities and services for a population influx directly resulting from OCS oil exploration and production. The amount of funds needed is dependent on the range of services to be provided and the actual population increase. (This, incidentally, is to be analyzed in more detail in 1983 as part of the City's coastal management planning program.)

As an example of actual current costs, the City of Nome this year is constructing a sewer and water project that will serve approximately 250 households, and costs $5.2 million. Most of this project is to serve existing households.

Population increase in Nome as a result of OCS Lease Sale 57 in Norton Sound could be as much as 3,000 in a 5-year period. See page 200 of the Environmental Impact Statement for Lease Sale 57. In addition the EIS states on page 152:

"Utilities and services would probably be wholly inadequate, and the community would most likely be unable to finance anywhere near the service level demands. * * * (a large population increase) could overwhelm the entire infrastructure of Nome and create extreme housing and public services problems."

BLOCK GRANTS

In allocating the remainder of the fund to states, 25 percent consideration is to be given to the coastal population of the state. There are two sides to the population criteria which cancel each other out and suggest the criteria probably should be dropped. The smaller the coastal population, the less capable it is of dealing with impacts and thus the greater the money it should receive. The other side is that the larger the coastal population, the greater the number of people that will undergo impacts or will impact the land and water resources.

250-MILE LIMIT

The draft act states:

"(c) For the purpose of this Act a state has an interest in a tract if any part of the tract is within a linear distance of 250 miles from the coastline of the state."

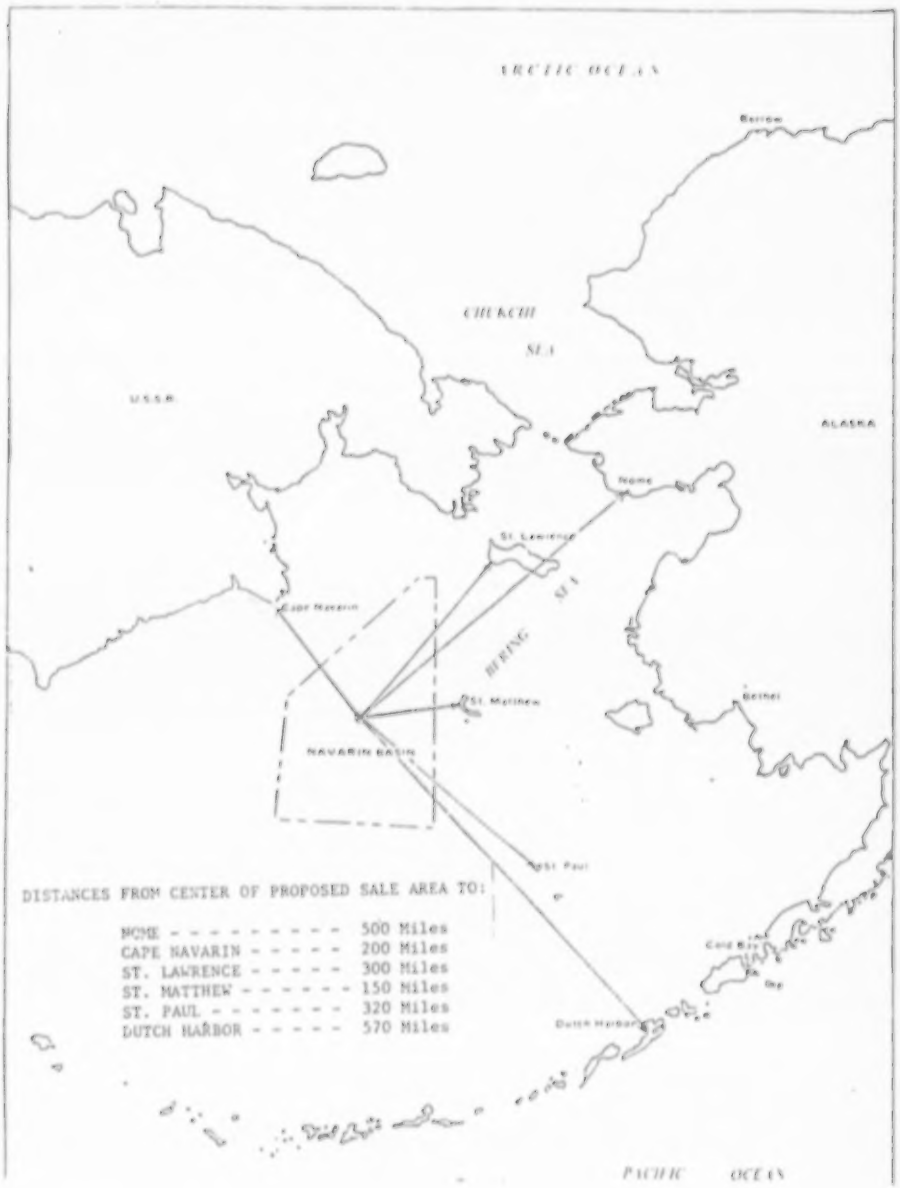
The 250 mile limit should either be expanded or perhaps just deleted. The reason for this comment is shown by the following situation. Parts of the Navarin Basin are in excess of 250 miles from the nearest land under state jurisdiction, but the land will undergo impacts because it is the nearest land mass. See attached map. As an example of the distances involved, Nome in 1983 will be used as an aerial support base for a test well approximately 400 miles southwest in the Navarin Basin. Nome potentially could have very substantial impacts from this activity in the future.

STATE/LOCAL SHARE

The minimum share local coastal communities can have from the state is 40 percent. Because impacts tend to occur at the local level and coastal zone management occurs primarily at the local level, the local share should be in the range of 60 percent. In any case, it should not go lower than 40 percent.

GRANT CRITERIA

Regarding Criteria 1, size of local population, it should be noted that the smaller the size of the community, the more money it should receive for public facilities and services if it is to undergo impacts. Criteria 3, use of a local community as an OCS staging area and criteria 4, demand for capital infrastructure should be weighted as more important.



DISTANCES FROM CENTER OF PROPOSED SALE AREA TO:

NOME	500 Miles
CAPE NAVARIN	200 Miles
ST. LAWRENCE	300 Miles
ST. MATTHEW	150 Miles
ST. PAUL	320 Miles
DUTCH HARBOR	570 Miles